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With The Editors

Use "Stops" With Caution

THERE is a feeling of definite reassurance in the term "stop-loss order" which charms those who wish to free their minds of investment problems. Limiting a loss or protecting a profit by this method is good, conservative practice, which should not be discouraged. Yet the mechanics of the order and its practical result can sometimes upset the best of calculations, particularly in these days of wide spreads between bids and offers.

When an order to sell 100 "XYZ preferred" at 45, stop, goes into the specialist's book, that busy gentleman accepts a large responsibility. He is to watch the market continually, and should "XYZ preferred," now selling around 48, once touch 45, the stop order becomes a market order to sell at the best bid obtainable. It happens that our hypothetical issue is rather inactive, for which reason the first day of a declining market sees only one sale, at $46\frac{1}{4}$, with a closing quotation of 46 bid, offered at $48\frac{1}{4}$. Next morning, along with lower prices for the leaders, "XYZ preferred" is quoted 44 to $44\frac{3}{4}$. Since there has been no sale at 45 or lower, however, the stop-loss order is still not effective.

Then 100 shares change hands on the bid at 44, and the specialist is automatically charged with the duty of selling our lot at the best price obtainable. The next bid in his book is for 200 at $43\frac{1}{2}$, so the stock which was "protected" by the "stop" at 45 is sold a point and a half lower.

Such cases are vastly outnumbered by those which result more satisfactorily, yet the example is by no means overdrawn, nor does it require a wide break in the general market to make it possible. The conclusion must be that only in active issues enjoying steady markets can a stop-loss order be depended upon for execution within a small fraction of the limit. In more volatile issues, the order should be placed sufficiently above the minimum requirement to insure accomplishing its purpose. Correctly handled, the stop-loss order is a most effective tool, but it by no means eliminates the necessity of good judgment in its use.

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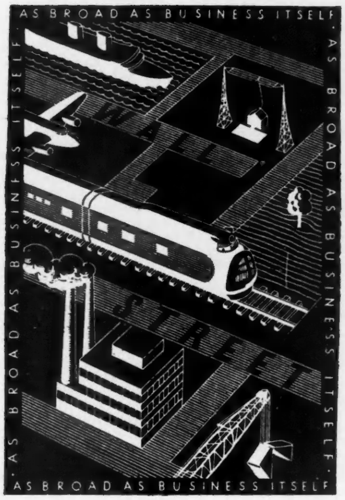
THE MAGAZINE OF WALL STREET

E. KENNETH BURGER, *Managing Editor* : C. G. WYCKOFF, *Publisher* : THEODORE M. KNAPPEN, LAURENCE STERN, *Associate Editors*



The Trend of Events

JAMMING THROUGH . . . Having done little of consequence during more than six months of controversy over the Supreme Court, a weary Congress is now engaged in jamming through, within a period of days, a series of measures whose importance should justify months of debate. A price-maintenance bill is slapped on as a rider to a District of Columbia revenue measure. The Senate casually adds regulation of freight train lengths to a totally unrelated measure. Forgetting the disastrous N R A lesson, Congress appears on the verge of jamming through inadequately considered wage and hour legislation potentially capable of doing untold harm to American business.

Nothing casts greater discredit upon the processes of representative government than this kind of legislating. Too great haste has been from the start a cardinal weakness in the New Deal and at bottom has been responsible for much of its troubles with the Supreme Court. There was excuse for such haste in the black days of 1933. There is none whatever today.

Even though recovery is virtually an accomplished fact, needing most of all to be consolidated, the present Administration seems bent on continuous tinkering with the economic system. Prosperity, it appears, is not a matter of *producing* abundance, but legislating it into existence. Let there be higher wages and shorter hours, then behold the miracle! If there be enlarged mass purchasing power in a 40-hour week and a 40-cent minimum wage, why not raise purchasing power still more with a 20-hour week and a $1 minimum?

Actually, the wage-hour venture is but another political panacea which attacks symptoms and ignores causes. Wages are determined in the long run by the implacable logic of existing economic factors. If the Government would raise the "sub-standard" wages of the South, the sound course would be to foster the incipient industrialization of the South, thus swelling the demand for labor and reducing the supply. It proposes to do just the opposite, and in so doing will tend to reduce, rather than increase, mass purchasing power, while at the same time freezing the present economic advantages of the long-industrialized, high-wage sections of the east and middle-west. In effect, this measure would put a domestic tariff on the products of backward industries and backward areas of our country—industries and sections backward neither through fault of their own nor "Toryism" of their manufacturers. This is wishful thinking, not national "planning."

GOLD FLOOD EBBS . . . The King Midas touch which seemed to bring the world's free gold to our shores during May and June, much to the consternation of many experts and laymen in the financial district, seems to have passed with the financial crisis in Paris. It will be some time before the carefully compiled figures of the

Department of Commerce on gold imports and exports for July are available in full detail. From the daily statements of the Federal Reserve on gold shipments, however, it is evident that the inbound flow slacked considerably last month, probably aggregating less than $60,000,000 as compared with more than $262,000,000 in June. Furthermore, to offset these reduced gold imports, there was some gold loss by the United States, last month, for the first time since the fall of 1936. A gold decline of close to $42,000,000 indicated in the Treasury Department's daily statement for July 20 has been officially explained as partly due to the famous gold-for-silver swap with China and partly to operations of foreign stabilization funds during a period of temporary dollar weakness in the foreign exchange markets. Behind the secretiveness of official stabilization operations and the technical intricacies of the foreign exchange markets, there appear to be two primary reasons for the change in the gold situation. One of these is the repatriation of foreign capital following franc devaluation and the second is the mounting level of merchandise imports to this country, which enables foreigners to obtain dollar balances without sending us their gold. Temporarily, and probably because the Orient may fear imposition of neutrality regulations as the war clouds rumble in the Far East, Japan has been sending a larger volume of the yellow metal to our western ports. Expert observers no longer appear to feel greatly alarmed, however, lest our $35 gold price will attract an embarrassing volume of the precious metal to our already huge gold stock. And the apprehension of the layman also appears to be at rest, with the volume of gold shipments now reduced to a less conspicuous level.

PLENTY OF MONEY . . . A record high total of bank deposits is frequently cited as one significant measure of the scope of economic recovery during the past four years. The relationship between bank deposits and business activity, however, depends not alone upon the total of deposits but upon the velocity of their turnover. Money lying idle in a bank deposit buys no goods and pays no wages. So far as concerns the use of our plentiful bank money, the country remains deep in depression.

The most recent data from the Federal Reserve Bank of New York shows that the present velocity of deposits is only approximately 56 per cent of the 1919-1925 average. The figure was 165 in July, 1929. Excluding New York City—since security transactions tend to distort the picture—velocity of demand deposits for the rest of the country is now 68 per cent of the 1919-1925 average. The stated credit policy of the New Deal is to attempt to keep bank deposits near their present level and to rely on increased velocity to finance such expansion of business activity as is probable or desirable for a long time to come.

In recent months there has been a tendency for both deposits and velocity to decline. Deposits have dropped slightly because liquidation of bank investments has moderately exceeded expansion of commercial loans. Velocity has sagged because of strikes, reaction in commodity and security markets and a lull in business buying. It is likely, however, that shrinkage in deposits has terminated and that deposit velocity will show some increase within a short while, incident to autumn business advance, large crop movement and seasonally favorable trade factors. Moreover, the proportion of deposits created by business loans is increasing while that created by bank investment in bonds is declining. This change in character of banking assets also points to faster velocity of turnover, since commercial loans are sought by borrowers who intend to use the funds. On the whole, it is unlikely that monetary factors will hamper further economic recovery later this year.

13.2 PER CENT ON THE INVESTMENT . . . During the first half of this year profits of 315 industrial companies, as compiled by the National City Bank, were at the annual rate of a 13.2 per cent return on their net worth, and thus were back to the pre-depression level. This is an excellent showing, especially since it must be remembered that reported earnings are generally computed on a very conservative accounting basis, but may be somewhat misleading. Many corporations wrote down book value of assets during the depression, so that net worth as now stated is usually below replacement cost. The result is to inflate reported rate of return.

It will be asserted by some that such earnings prove industry is in a position to raise wages without lifting prices. Perhaps some are, but the 13.2 per cent rate of return is an average and within these 315 favored enterprises there are wide variations in profits margins. Moreover, a high rate of return in any one year is no more normal expectancy than a lower return, or no return at all, in poor years—a fact blandly ignored in New Deal taxing policy. Finally, the 315 companies here cited constitute the Blue Chips of American industry. The current rate of return on the nation's total industrial investment is far less than 13.2 per cent, as will be shown when the corporate income tax returns are filed next March.

TOUGH GOING FOR C. I. O. . . . The most bitter labor disputes in the country today are not between unions and employers, but between unions and unions. Warfare between the A. F. of L. and the C. I. O. gets ever hotter, with the C. I. O. presently on the defensive. Prestige of the C. I. O. has taken a nose dive, due to the boomerang effects of its recent violent tactics upon public opinion and the labor attitude of the Administration. A. F. of L. prestige and membership are rising. William Green is a caller at the White House these days. John L. Lewis is not.

Moreover, a first class family row within the leadership of C. I. O. has now broken out more or less into the open. Six of the more influential C. I. O. chieftains are reported in sharp disagreement with Lewis. They

believe their cause has been hurt by the sit-down strikes sanctioned in the drive against motor companies last spring, by the violence permitted in the recent steel strikes, by Lewis' blatant public claim that the Administration owes him a political debt, by Lewis' appointment of Harry Bridges—an alien and reputedly a Communist—as C. I. O. director on the Pacific Coast, and by the recent action of the S. W. O. C. and the United Mine Workers in adopting resolutions critical of present New Deal labor policy.

In this view they are undoubtedly correct, for Lewis can blame only himself for alienating the White House and depriving his movement of what had been its strongest card—namely, the President's tacit approval. It is obvious that in the long run the only enduring gains will be made by those unions which scrupulously respect our laws, including the Wagner Act, and which build from the start on the premise that negotiated agreements must be rigidly adhered to. The fact that Mr. Lewis has not comprehended these truths would seem to imply that his vaunted skill as a labor leader has been greatly exaggerated. A smart leader does not bite off more than he can chew.

"NOW! NOW!! NOW!!!" . . . Repeatedly President Roosevelt has demanded action "now" on national problems that he considers urgent. It was imperative that the Supreme Court be "reformed" immediately. It was vital that there be quick action on farm legislation, flood control, soil conservation, executive reorganization and wage-hour regulation. Yet it is disquieting to note that on a problem actually more urgent than any of these—the continued unbalance of the Federal budget —Mr. Roosevelt remains apparently complacent. Other things are *urgent*, but a still mounting deficit, while important, is something to end sometime and somehow in a vague future.

All of the New Deal will have proved a hollow mockery if it brings us to fiscal disaster. You may say such danger is not near, but how long can confidence be maintained when month after month of spreading economic recovery brings no appreciable dent in Federal spending? The deficit for July—first month of the new fiscal year—was $249,384,000 or more than double that of July, 1936, despite an increase of $116,000,000 in total revenues and despite a decline in "recovery and relief" spending, including W P A. What was the reason for the deficit? Answer: mainly an increase of more than 35 per cent in general or "regular" expenditures!

It was more than four years ago that Mr. Roosevelt soberly warned against the tendency "of liberal governments to wreck themselves on the rocks of loose fiscal policy." Obviously, we are closer to those rocks now than we were in 1933, but the pilot remains nonchalant, serene, hopeful. If there is any national problem crying aloud for decisive action "now," this is it—but, as the President himself is fond of saying, some people can't see the forest for the trees.

LIVING COSTS ARE RISING . . . While the cost of living has increased sharply since 1933 and continues to rise, this has been more than offset up to the present by a still larger gain in consumer income. As a result, purchasing power has shown a major expansion. Indeed, the gain in real wages during the past twelve months has been phenomenal. There is much reason to doubt, however, that the recent rate of gain will continue. During the rest of the year factory payrolls almost certainly will not show such huge percentage gains in year-to-year comparison as was the case in the first half.

Meanwhile the cost of living will move on up, for although wholesale prices have been fairly stable in recent weeks retail prices are on the rise. Two samples of what is in store for the consumer are the sharply higher prices recently announced on automobiles, and announcement of a 5 per cent average increase in Sears, Roebuck catalog prices. Some food costs should work lower, due to larger crops, but pork prices are soaring sensationally—carrying beef along in their wake—and relief in the form of larger supplies lies far ahead. Rents, very important in the average worker's budget, have risen about 12 per cent over the past year, are 38 per cent higher than at the start of 1934, are only 5.9 per cent lower than in June, 1929, and will rise further.

Are we headed for a buyers' strike? Not at all. As the experience of the 1919-1920 price inflation proves, consumers do not stop buying until *after* money income, especially wages, begins to shrink seriously. When the rise in cost of living exceeds gains in money income, there will be cause for concern. A narrowing of the spread is not dangerous.

WATCH PRIVATE CONSTRUCTION . . . Considerable disappointment is being expressed because building volume does not show larger gains. The main thing the matter with the recovery in construction is that expectations were set too high at the start of the year, forgetting that for inherent reasons recovery in this field has always been both gradual in its early phases and subject to short-term reversals. It is unfortunate, but unavoidable, that costs have risen—but with rents rising even faster, with the national income expanding and with demand for housing outrunning new supply, there is no reason whatever to doubt that the major expansion in building will continue.

The significant figures to watch are those on private building. Public building exaggerated the significance of total building volume for some time after the upturn began. Decline in public works now makes the total look worse than it is. Inevitably the sharpest gains in residential volume will continue to center in one-family dwellings. Indicative of the supply-demand position, rents of such dwellings have recovered more than 93 per cent of the depression decline, while only 30 per cent of the decline in apartment rents has been cancelled. While apartment building is increasing, its near term prospect is far from dynamic.

The Market's Next Move

BY A. T. MILLER

Moderate extension of the advance in industrials and moderate recession in rails and utilities have been the contrasting high spots of the recent market. At its best level to date, the Dow-Jones industrial average stands more than 21 points above the June low and only a little more than 7 points under the bull market high of last March. This is a recovery of more than 75 per cent of the total ground lost in the intermediate reaction.

In view of the demonstrated fact that in today's thin markets it requires only a change to the hopeful side in investment sentiment, plus a trickle of buying, to bring about broad advance in stocks of investment caliber, there is nothing surprising in the performance of the industrial average since mid-June. Nevertheless the scope of this advance undoubtedly has raised a question in many speculative minds as to whether it has rendered the technical position of the market vulnerable.

We do not think so. The Dow-Jones industrial average is made up of a small number of leader-type equities, a considerable proportion of which are perennial investment favorities. It naturally follows that stocks of this kind will be first and fastest to recover after severe and prolonged reaction. More inclusive averages give a wholly different picture. At its best recent level, for example, our own broader, weekly index of 330 stocks—shown on the accompanying chart—had recovered only some 40 per cent of the March-June decline.

In short, while either a breathing spell or minor technical reaction may possibly be justified in a minority of stocks which have held the limelight in recent weeks, the action of a much larger number certainly supports no claim of over-fast advance. Quite the contrary. In this setting we believe many of the recent leaders will slow down for a while, as happened in the recovery from the April, 1936, intermediate reaction, while numerous so-called secondary issues come in for greater attention. Such a pattern would maintain the gradual average advance shown in the more inclusive market indexes, such as our own.

The bull cause, of course, could use more help from the rails and utilities than it has been getting—with the rails a particularly doubtful speculative factor. While acute weakness in any large group of stocks necessarily exercises a retarding influence on others, nevertheless there is considerable nonsense in the theory that advance in industrial stocks must be "confirmed" by advance in rails. For example, comparing present prices with depression lows—again using the Dow-Jones averages—the industrial group shows a gain of 145 points, rails 40 points and utilities less than 15 points. Expressed otherwise, the industrial group has recovered 43 per cent of its depression decline, the rail group 22 per cent and the utility group 11 per cent. In short, industrials have done pretty well since 1933 with only occasional periods of dynamic support from the rails.

There is some reason to believe, however, that the recent thick pessimism surrounding the railroads has been overdone. It is true that costs have risen substantially. On the other side of the picture, operating efficiency has been greatly improved; gross revenues are rising; maintenance expenditures—padded in recent months—will take a smaller percentage of gross during the rest of the year; and at least part of the increase in freight rates requested by the carriers is likely to be granted by the Interstate Commerce Commission. Strange as it may seem to some, it is likely that for some months to come railroad recovery will be relatively faster than general business advance or just the opposite of the relationship prevailing during most of the past four years. The reason for this is two-fold. First, output of heavy industry—the biggest variable in the freight cycle—now constitutes an increasing percentage of total business activity and in the expected autumn upturn, as well as over a still longer term, may be relied on to expand relatively faster than output of consumption goods. Second, the railroads for the first time in some years will benefit from normal movement of crops.

Response of the rails to settlement of the wage demands of the non-operating unions—involving increase of 5 cents an hour, against original demand for 20-cent increase—has been somewhat disappointing but not particularly surprising, in view of the fact that settlement with the operating unions remains to be negotiated and in view of some uncertainty as to whether the Senate bill limiting freight car lengths to 70 cars will get through the House. Assuming, as seems conservative, that the total wage increase will not exceed 10 per cent, it may be noted that on the basis of the operating results for the twelve months ended April 30 this added cost would be offset for most roads by an increase of from 6 to 8 per cent in gross.

As a psychological market handicap, rail troubles, in

The autumn business outlook is favorable, political fears have waned and dividend yields remain attractive in contrast with continued low money rates. We expect further selective market advance and favor discriminating purchases.

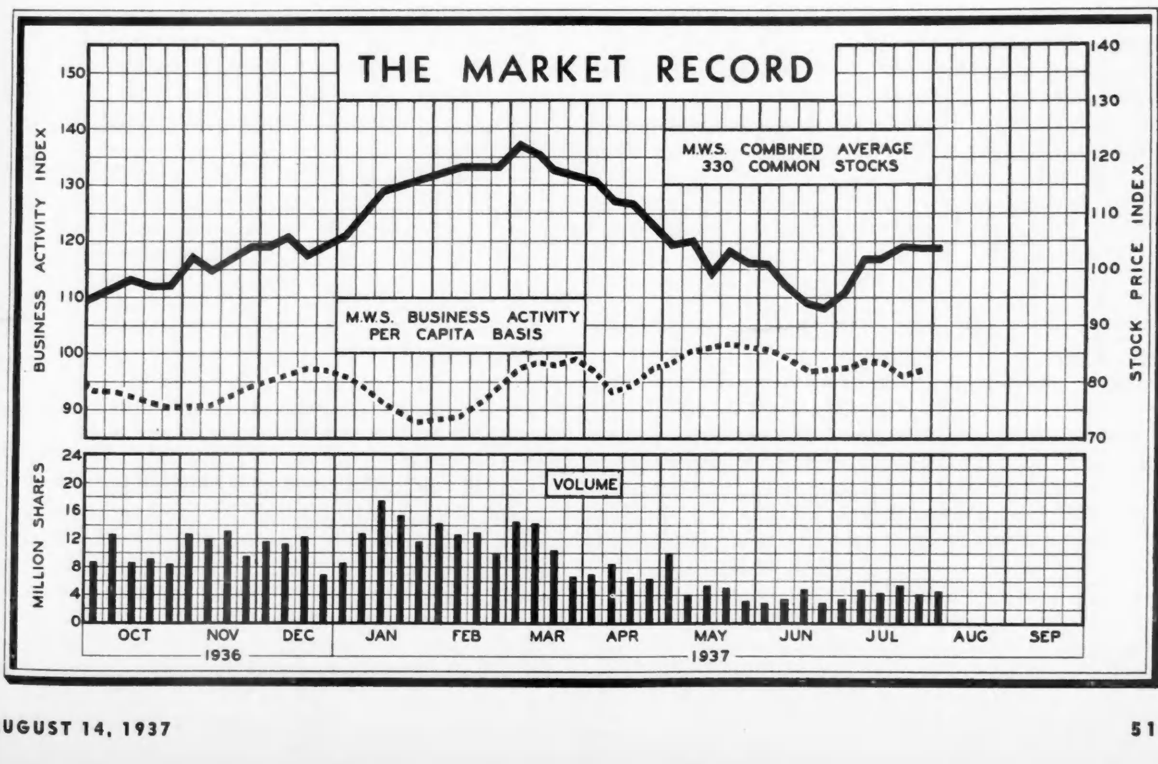
our opinion, have passed their peak, whether the result is nearby advance in this group or merely cessation of weakness. If so, we can add this to that considerable list of other market fears that have abated in recent months—fears of the C. I. O., of a changed gold price, of a packed Supreme Court, etc.

On the whole, then, the odds favor continuation of the selective intermediate advance, supported by confidence in the longer-term business prospects and by the compelling investment reality that dividend yields on stocks remain unusually attractive, relative to short-term interest rates. The lure of good yield can be seen in the recent somewhat improved action of various stocks which long had been static, including American Can, General Motors, Air Reduction and J. C. Penney.

Foreign demand for American securities, especially from London and Amsterdam, is quite likely to show prompt increase in response to news from Washington that the Administration will postpone until next year any move to increase taxes on foreign investments here or otherwise legislate on the "hot money" problem.

Bearing upon both foreign and domestic demand for stocks, we observed some weeks ago—after President Roosevelt had talked down the price boom—that the next move of the Government might have to be in the opposite direction: that is, a turn from temporary deflationary efforts to stimulation. It is interesting to note that decline in farm prices, induced by bumper crops, has promptly produced a very frenzy of political agitation for renewed Federal price pegging in cotton and wheat. There are votes in farm prosperity, so why not have both enormous crops and high prices? The expectation that another ambitious farm control law will be written already has rallied farm prices.

Here we merely have proof of the obvious reality that, whatever its gestures of putting on the brakes from time to time, the New Deal simply can not stomach more than minor reaction in prices—farm or otherwise. Its substitute for the Old Deal's continuous use of stimulants—until the final bust came—seems to be alternate stimulants and sedatives, but with the stimulants more numerous, frequent and powerful than the sedatives. Whether this will make much difference in the long run remains to be seen. Under both kinds of doctoring, bull markets persist in advancing by the time-worn method of two steps up, then one back, followed by two up again. This one stepped back from March to mid-June, and has now resumed the climb.



Where Does Roosevelt Stand Today?

BY RAY TUCKER

IT is easy to exaggerate the loss in public esteem which Franklin D. Roosevelt has suffered in the last six months for reasons that must be patent to everybody who reads the newspapers—or the Congressional Record. The experts engaged in fondling the public pulse are too inclined to discover symptoms which accord with their political prejudices, and to furnish a faulty diagnosis to anti-Administration ambulance chasers. But no impartial or discerning student of national opinion at Washington denies that, for the first time since he crossed the Hudson River to deliver a surprise attack on the nation's business, Mr. Roosevelt has struck the down grade—whether temporarily or permanently, none can tell yet.

Friends and foes, in estimating how he stands today, make non-partisan confession that there has been a sharp decline in the number of idolators who returned him to office only nine months ago with a history-breaking indorsement. It is palpably absurd to attempt to measure his tumble in votes, popular or electoral. But the consensus seems to be that he has slipped surprisingly, though not fatally.

To the business man, however, whose concerns are more immediate and pressing than speculation on Mr. Roosevelt's ballot-box expectancies, even such a unanimous verdict is misleading and meaningless. It is obvious that the President cannot slip "fatally" for the simple reason that he faces no election test at the moment, in which sufficient fatalities on his side would count him out. But the evidence that he has slipped "surprisingly" may have deep import to Wall Street and Main Street.

It means that he will no longer enjoy the influence he has exercised over Congressional decisions, administrative actions, party philosophy and the politicos' day-by-day behavior. Politicians, even more shamelessly than hangers-on of the prize-fighting ring, are fair-weather friends. It is only because Congress senses a sag in his popularity that it has defied him more boldly and callously than it dared to flout Herbert Hoover. From the same inspiration springs the downright impudence which the Interstate Commerce Commission showed when it refused to approve the selection of a Farley man as a railroad receiver—the independence which the normally easy-going "Dick" Elliott, Acting Controller General, exhibited in denying payment of see-the-world expenses to the presidential committee which investigated European co-operatives. In that same light the willingness of certain foreign debtor nations to flaunt his oft-expressed views on world trade and peace becomes understandable. Woodrow Wilson met the same rough fate at home and abroad. So did

Roosevelt the First. So do all second-termers anywhere.

A decline in popularity—and prestige—may work a deep change in Mr. Roosevelt himself; in fact, it has. A President on the toboggan, provided he recognizes in which direction he is heading, is not the same man he deemed himself to be when his star shone unchallenged and undarkened in the political heavens. The same laws of psychology that apply to a ditch-digger who loses confidence in his sand and shovel, also affect a Chief Executive.

He becomes cautious and prudent; he conserves his dwindling store of prestige. He becomes less willing to shoot the works, to force new reforms on the economic and political community, to cram his theories down the other fellow's throat. He begins to wonder whether he does know all the right answers—or even the right questions. It's true that the man in the White House has not yet been convinced that he is no longer the shining saviour of black March of 1933, but he is far too adept and astute to emulate the ostrich forever. Indeed, there are definite signs that at last he does recognize his fallibility and vulnerability.

Bowing to Adverse Winds

Not long after Vice-President Garner went fishing down in Texas, the President indicated clearly that he could read handwriting when it was heavily underscored. He instructed the late "Joe" Robinson to obtain the best compromise he could on the court-packing plan; he ordered departmental heads to sequester 10 per cent of their appropriations for the 1938 fiscal year; he mildly rebuked John L. Lewis and the C.I.O. for the turmoil and trouble they had heaped upon him. In all these maneuvers the presidential fingers may have been crossed, but it is unfair to question his motives or objectives. The fact remains that he did respond—and bow—to adverse winds.

These, then, are the indications and implications of a Roosevelt retrogression. Now, simply to suggest that this is not another exhibition of wishful thinking, let us consider coldly and analytically wherein he has grown less great and why.

The leading laboratory for such an analysis is the agricultural West, where he has been hailed with more enthusiastic huzzahs than any Democratic President since before the Civil War. The farmers owe him—or think they do—a great deal. When he took office, wheat was a throwaway product, whereas now it is selling above $1 a bushel. In human, bread-and-butter language—and there's no other way to talk politics—it means that the farmer is paying off his mortgage and back taxes—buying warm dresses for his youngsters for the fall school term—repairing his auto or buying a new model—having, comparatively, a wonderful time.

Now, it matters not whether this agricultural recovery has been due to natural forces or economic miracles. Successive Republican administrations, but notably the Coolidge-Hoover-Mellon regime, informed us that the White House was the single source of all economic good and evil, and it is not to be wondered at if the farmers came to believe it. The present reality is that producers enjoy greater prosperity than in any period since before the World War, and it would seem that they should acknowledge no other idol except the Great A A A Father at Washington.

What the Farmers Think

Well, they don't. They were exceedingly chilly to his proposal for an overnight reorganization of the Supreme Court. Secretary Wallace, the Corn Belt's Paul Revere, sought to stir them out of their lethargy with speeches, pamphlets, and even a book, but they were more worried over how the alfalfa was doing in that north quarter. Almost every farm spokesman to appear before the Senate Judiciary Committee denounced the court-packing plan, even though they smarted under the decision scrapping the original A A A.

Save for the American Farm Bureau—the most radical farm lobby since the death of Milo Reno—their orators at the Capital have shown no sympathy for the new, catch-all farm program embracing crop insurance, the ever-normal granary and further restriction of production. Affirmatively, the farmers are bitterly hostile to the alliance between the White House and John L. Lewis, if only because mounting prices resulting from higher labor costs threaten to milk them dry of their New Deal profits.

The farmer, in short, prefers to be left in productive peace so that he may grow all he can and garner all he can from selling large volume at high prices. Now that "normalcy" (don't laugh) seems to be returning, the maligned strain of "rugged individualism" triumphs over his emotional response to cries for "economic planning." The hard-headed hewers and drawers and tillers are responding to the economic urge rather than to political urgings. It's simply human nature asserting itself again; put yourself in his place and see how you'd feel.

Ray Tucker has been an interpreter of political trends and a commentator on national affairs for many years. His writings are widely recognized as reflecting both a Washington and a country-wide viewpoint. His appraisal in this article of the President's current position with the people at large and the effect of his changing status on legislation is of particular interest to business men and investors.—Editor.

Second only to the farmers in their unswerving allegiance to the White House should be the industrial workers. Politically and philosophically, the President has exalted their causes and championed their grievances. He gave them the right to organize and to bargain collectively, and he named pro-labor men to the agencies charged with safeguarding these new privileges. Until lately the White House latchkey hung as low for John L. Lewis and William A. Green as it did for the late Wayne B. Wheeler during the awfully thirsty thirties.

Nevertheless, organized labor is not happy; it still stands far from the threshold of the promised presidential millennium. Mr. Green resents the favoritism the Administration displayed (*Please turn to page 566*)

Installment Credit—
Business Asset or Liability?

BY LAURENCE STERN

Possibly you may run across some opinionated fellow who will unhesitatingly proclaim: "Buying on time is a deplorable habit for the individual to get into. It leads him head-over-heels into debt. It reduces his purchasing power because he pays more than the cash price. Installment selling in the aggregate is an evil and dangerous thing because it exaggerates a business boom and prolongs a depression."

On the other hand, someone of equally dogmatic conviction is quite likely to toss off the following: "Installment credit is a good thing. It enables the consumer to possess desirable products that he would not otherwise buy. It teaches him to be thrifty and to budget his income in order to meet installment payments. The small percentage of defaults shows that he *does* meet these obligations in an overwhelming majority of instances, in good times and bad. By stimulating volume sales, installment credit tends to lower prices of many products and hence is a contribution to sound economic expansion."

Now there are some quite simple things that all right-thinking people favor or oppose. We favor virtue. We condemn sin. But installment credit is a "yes-and-no" problem. The more any intelligent person has delved into its pros and cons, the less likely he will be to arrive at either of the two dogmatic, and conflicting, opinions with which we launched this article. On the contrary, the more likely he is to arrive at a qualified conclusion, replete with such timid words as "but" and "however" and "on the other hand."

Installment selling was a hotly debated subject as we neared the crest of the last disastrous boom. Some said it was an economic danger; others said it wasn't. The experience since that time throws at least partial factual light on the reality, as we shall see—re-examination being pertinent today for the reason that prosperity is returning, installment volume is rising rapidly and once more the "consumer credit" debate is getting hot. From Government economists come cautious hints that we may be overdoing a good thing, and reminders that we don't want another 1929 debacle. As if in partial agreement with this view, we have recently seen the leading installment finance companies tighten up their terms on automobile paper.

Well, what are the proportions of the current installment debt? How does it compare with other forms of debt? What proportion of total trade does it account for? Are present lending terms dangerously loose? Has extension of consumer credit on "soft" goods assumed serious proportions? What part, if any, does installment credit play in the swings of the business cycle?

Let us attempt, as far as possible, to answer these questions. To begin with, there are no completely reliable statistics covering either current total installment debt outstanding or total of former years. The best that we can do is to accept such estimates as have been made by the United States Department of Commerce, these being based largely on sample data obtained in the 1929 census of distribution and similar census in 1935.

On this basis, total installment sales in 1929 are placed at $6,500,000,000; in 1935 at $3,600,000,000; and in 1936—on guess of 25 per cent gain—at $4,500,000,000. Applying the Department's estimate of 1936 rate of gain to this year, we would seem to be headed for a 1937 total of, roughly, $5,700,000,000 in installment sales. Some ob-

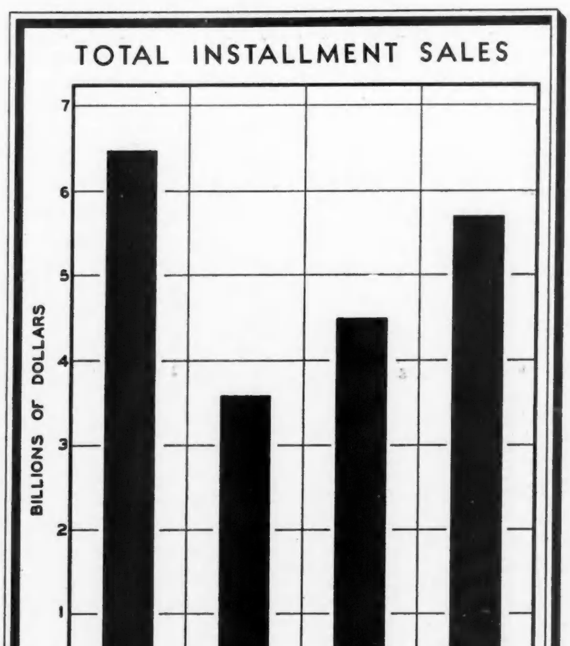
servers believe these figures are well under the reality. We have heard none say they are too high. Nevertheless, they appear to be the *only* figures that have any official standing.

Taking them for our purposes, the first qualification to be noted is that installment sales within a year are not the same thing as installment debt outstanding at any one time. The annual turnover of installment credit will be two to three times the debt at any time outstanding, and probably nearer three times than two. Therefore the average installment debt in 1929 may be put at $2,166,000,000; at $1,200,000,000 in 1935; at $1,500,000,000 in 1936; and at somewhere near $1,900,000,000 at present.

While not every person is addicted to installment buying, it may be noted that this short-term debt of $1,900,000,000, if spread evenly, would amount to about $60 per American family. It is, of course, very small in comparison with long-term mortgage debt—individual and corporate—and with public debt, both of which in the final analysis are also charges against future income. It is probably less than a third of short-term commercial indebtedness, the function of which is to facilitate the processes of production, distribution and trade, but the use of which is also an anticipation of future income.

Experts are guessing that total retail trade this year will be around $43,000,000,000. On that basis, our estimated figure of $5,700,000,000 for the year's installment sales would make up slightly more than 13 per cent of the total, being greatly exceeded both by open-account sales and cash sales. If the Department of Commerce estimates are correct, it would appear that the ratio of installment sales to total retail sales is now about on a par with that of 1929.

It is a fact that the rate of expansion in installment sales over the past year or two has been much faster than the rate of gain in cash sales, but the gain in open-account sales has likewise been faster than in cash sales—and for these trends, which are continuing, there is a simple and obvious explanation. The use of every form of credit, including consumer debt, contracts sharply in depression. The great majority of products sold on time are durable goods whose common characteristic is postponability of demand. The great majority of such products also are relatively expensive. A large part of cash trade, centering in "necessity goods," is relatively static. It is therefore probably misleading to attach undue significance to the fact that credit sales are rising faster than cash sales. If we break down trade by products, rather than methods of payment, we would find demand for durable goods increasing faster than in the case of consumption goods, and we would also find cash sales of such goods rising at a rate comparable to rate of gain in installment sales of the same types of goods. This amounts to saying merely that as public purchasing power recovers from a depression level, consumers return to their normal spending habits, and that for some time in the initial phase of prosperity a special impetus is given to trade in durable goods by the fulfillment of accumulated and long-deferred wants.



Similarly, the fact that ratio of installment sales to total trade has returned to approximately the 1929 figure is due in large measure to changes in the composition of trade that have occurred since 1929 and hence is more of a trade than a credit phenomenon. This obvious reality has had surprisingly little attention in published pros and cons of consumer credit. Current demand for motor vehicles is closer to the 1929 standard than is our economy as a whole. The same is true of radios, while sales of such products as mechanical refrigerators, oil burners, washing machines, ironers, ranges and air-conditioning units are far above 1929 levels.

These articles, because of their cost and durable nature, are ideally suited to the installment credit technique; and the total of consumers' durable goods suited to this technique unquestionably makes up a larger proportion of total retail trade today than in 1929.

Another trade phenomenon, pertinent to our subject, is the interesting fact that the public taste for music cultivated by the radio has produced a renaissance in demand for pianos. Volume of piano sales today is not only well above the 1929 level, but is climbing back toward the standards of pre-radio eras of prosperity. This product, along with the sewing machine, was being sold on the installment plan for years before automobiles ceased being the novelty that horses shied at and that pedestrians gaped at in curiosity and derision.

So far as typical installment goods are concerned, there is no evidence of dangerous growth in ratio of credit sales to total sales. Bearing upon this point data on automobile registrations and financing over the past eight years is illuminating. Taking new cars financed in percentage of new cars registered, the totals have been as follows: 1929, 42.9 per cent; 1930, 45.5 per cent; 1931, 46.3 per cent; 1932, 43.5 per cent; 1933, 43.2 per cent; 1934, 46.4 per cent; 1935,

41 per cent; 1936, 47.5 per cent. In the first quarter of this year the ratio declined to 40 per cent. No convincing trend is shown, and for the variations from year to year—the widest being between 41 per cent in 1935 and 47.5 per cent in 1936—there is no apparent explanation in economic or credit factors. It may be contended that jump in the ratio of motor financing to 47.5 per cent last year reflected lower financing charges or greater willingness of buyers to go into debt—but, observing that the ratio promptly fell to 40 per cent in the first quarter of this year and was substantially lower than first quarter average of the past eight years, we can only conclude that this theory is untenable.

While similar statistics are not available on refrigerators, oil burners, stokers, washers and various other of the more prominent types of installment goods, it is very much to be doubted that ratio of credit sales to total sales is showing any significant increase.

Few will argue that, on principle, it is unsound for an individual to buy a house on a long-term mortgage, and most will concede that when numbers of people do this the effect upon our economy is beneficial. In *principle*, there is no difference between this and the installment purchase of any other thing which is both desirable and durable. Because of its cost and long debt maturity, purchase of a house on an amortized mortgage involves a far bigger risk of over-estimating future income than purchase of any other thing commonly sold on time. Doubtless there are people who foolishly and rashly "bite off more than they can chew," but the record of repossessions or credit losses by successful merchants and finance companies proves they are a small minority.

Moreover, any generalization as to the soundness or wisdom of installment credit from the point of view either of borrower or lender would be the height of futility, for the question in every one of millions of credit transactions is not general but individual and specific, involving the buyer's financial status and prospect, the type of the product, the amount of the down payment, duration of the obligation, etc.

There is no law, and never will be, to prevent any person from buying anything on time, but to assume that foolish and irresponsible buyers can ever incur a total of indebtedness large enough to represent a grave danger to our economy is tantamount to assuming that the majority of those who extend consumer credit—whether merchants, finance companies or banks—do not know how to conduct their business. Such assumption, of course, would be absurd.

In the case of durable products capable of physical repossession, the problem of determining sound credit terms is simplicity itself. If the down payment is a substantial percentage of the total cost and if the average useful life of the article substantially exceeds the life of the debt, the credit risk, obviously, is slight. The life of an automobile is commonly figured at nine years. Whether the terms be a third down and twelve months to pay or a fourth down and eighteen months to pay, the difference in actual credit risk is relatively small.

Many things sold on time, however, can not be repossessed; and this does not apply only to so-called soft goods, nor is the practice new. For years home repairs, such as re-roofing or new plumbing, have been obtainable on a deferred payment basis. This is wholly a matter of individual credit rating, as judged by the lender, who begins, however, with the safeguard that buyers in such instances are home-owners who may be sued, if necessary, with good chance of recovery.

There has been much talk recently, however, of extension of installment credit on goods of short life, notably clothing. There are no figures whatever to show the scope of this practice, but the total amount of credit involved is unquestionably only a small fraction of that extended on durable goods. Moreover, the individual risk is relatively small, and the merchant, being desirous of staying in business, may be relied on to approach such trade with his eyes wide open. In each individual transaction he will carefully investigate the credit standing of his customer, and in his total of such transactions on soft goods he will keep careful watch on the ratio of his credit losses.

You can buy some soft goods from Montgomery Ward or Sears, Roebuck on the installment plan. Both are successful and experienced merchandising concerns. How did they happen to start this kind of selling? They didn't jump into it in wholesale fashion. They undoubtedly reasoned something like this: "This may be a worth while way to build volume. Let's try it out on a few items in a small way and see how it goes. If it proves sound, fine; if it doesn't, the loss will be small."

Credit may be a theoretical matter and the nation's credit supply may be regulated more or less by the money managers at Washington, but whether in any individual instance credit is granted or not—and the terms of its granting—will be determined in the final analysis by the judgment of the lender, and that judgment will be arrived at out of cumulative credit experience.

There is no analogy (*Please turn to page* 564)

How the Retail Buyer Pays

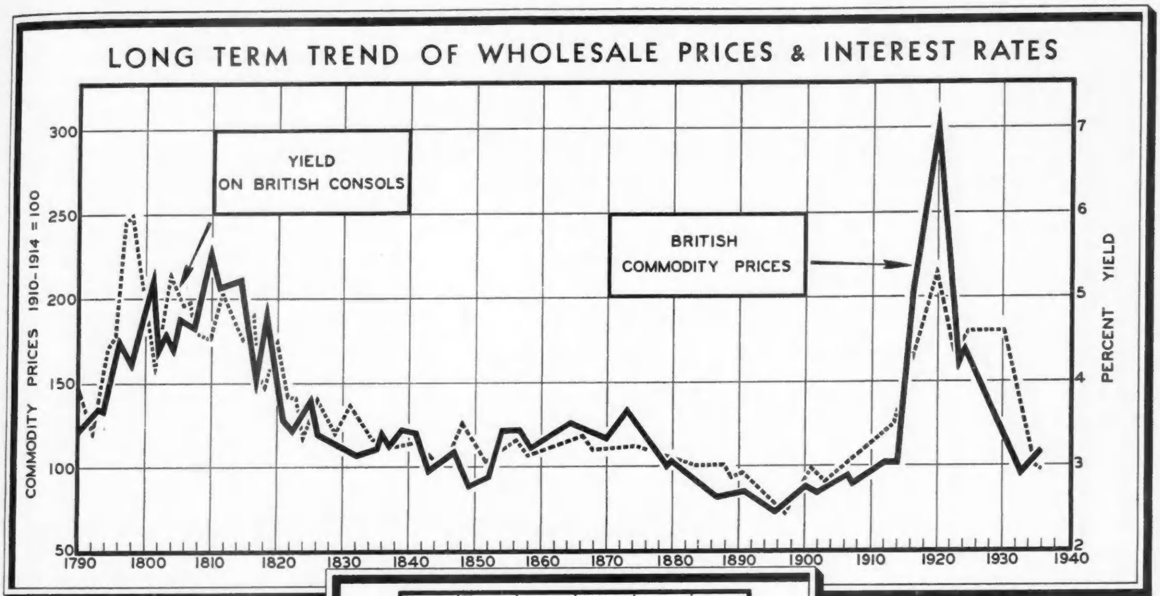
	Per Cent of Total Trade 1935	Per Cent of Total Trade 1936	Per Cent Change in '36 Volume
Cash Sales	43 %	41 %	11%
Open-account Sales	44.7%	44.7%	15%
Installment Sales	13 %	14 %	25%
Bad Debt Losses	6/10 of 1%	5/10 of 1%	....

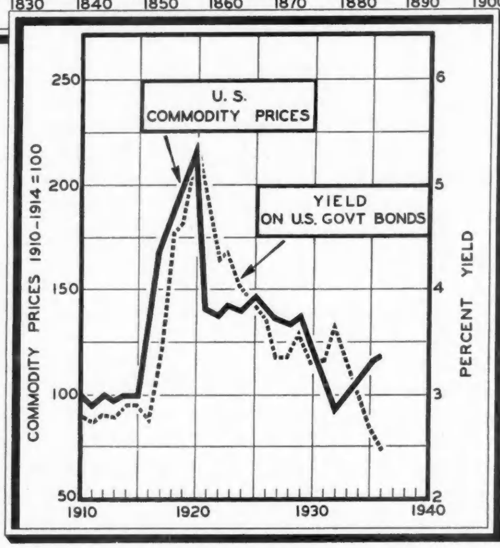
Products Sold on Installment Credit Include:

Automobiles	Plumbing
Refrigerators	Roofing
Oil Burners	Farm Equipment
Radios	Clothing
Washing Machines	Industrial Machinery
Ranges	Stokers
Ironers	Lumber
Jewelry	Tires
Furniture	Air Conditioners
Floor Coverings	Hardware
Musical Instruments	Coal

Higher Prices and Money Rates

BY C. R. BOSTWICK





No doubt many people regard interest rates as a drab and stuffy subject, of no particular importance to themselves. Yet a change in interest rates can subtract billions of dollars from the market value of all bonds, public and corporate, or add billions to that value; and both the level of interest rates and the trend thereof are primary factors in determining the level and trend of the stock market.

If you could forecast the future course of interest rates, with accuracy as to timing, you could write your own ticket with any big insurance company or bank—but don't apply for this job under the illusion that it should be easy. Many years ago, when interest rates were at a very low level—as they are now—a financier with a questioning mind wrote numerous bankers, insurance heads and monetary experts, asking their opinion on the outlook for money rates. The consensus was virtually unanimous that no important rise was likely for a long time. What happened? You guessed it. Interest rates started up very soon and went up almost steadily for twenty years.

The charts on this page are based upon studies of Dr. F. A. Pearson of Cornell University. They show an interesting and perhaps significant relationship between the long term trends of interest rates and commodity prices. Well then, if we knew what the commodity trend was likely to be, could we not forecast the interest trend? Perhaps, but even so our timing might be wrong for a matter of years. That this is so is demonstrated by the smaller chart on this page, comparing trend of commodity prices in this country with yield on Government bonds from 1910 to date. Over much of this period the lines show a close relationship, but for the past six or seven years they have been sharply divergent.

During the most acute (*Please turn to page 565*)

√ **Increased Commissions on Stock Transactions Unnecessary.**

√ **Broader Markets, Security Taxes Lessened, Odd Lot Differential Saved, Brokerage Business Stimulated.**

If 50 Shares Were Made the Unit of Trading

BY JOHN C. LLOYD

ECONOMIC recovery is not expected to affect all industries simultaneously, nor are any two lines of business likely to parallel each other in the pace and scope of their comebacks. Nevertheless, an enterprise which has not by this time established its upward trend should be called upon for an explanation. It is, in fact, strictly on the defensive and must show cause why changes and improvements are not in order. Neither steel alloys, nor automobiles, nor summer suits are made in the same way they were ten years ago; yet the New York Stock Exchange, operating under new and more rigid restrictions, has so far failed to devise means of keeping pace with world-wide recovery. This is due in part—but only in part—to factors over which it has no control, notably S E C regulation.

Broad, active markets are to be desired by investors both large and small as well as by those who serve them. We believe that the suggestion made in this article is a means of insuring such activity and at the same time lightening handicaps under which the small trader or investor now labors.—Editor.

The volume of stock trading in July, while larger than in both May and June, was the smallest for the month in fourteen years. What does this mean? Meager commissions for the brokers, of course, but far more important, it results in a relatively unsatisfactory market for investors and traders throughout the country. Certain issues sell only once or twice a week, others are quoted with a point or two spread between bid and offer. The switching of a substantial block of stock into another issue distorts the apparent worth of both over perhaps a month or longer.

Thin markets tend to perpetuate and accentuate themselves, since they discourage potential buyers and sellers, drying up volume still further. Market orders and stop-loss orders become matters of uncertainty. Each effect becomes in its turn a cause, to the great detriment of all concerned.

An increase in commission rates has recently been proposed—a one-sided remedy, and like applying a styptic pencil to an artery wound. Most enterprises faced with a loss of volume reduce their charges, increase their promotion efforts, or both. Two policies which would decidedly not be considered would be to go along and hope for the best, or to increase prices and drive business to a direct or indirect competitor. The situation is obviously serious enough to justify any readjustment which will go to the root of the trouble and stop the interplay of throttling influences. Higher commission rates will not do.

The solution to a promotion problem frequently lies in looking at the matter from the viewpoint of the customer or the potential customer. Take the case of the man with \$1,000 or \$1,200 to invest. He wants a reasonably conservative issue, to hold for a month to six months, depending upon developments. Choosing American Radiator because of his opinion of the building industry, he finds the stock selling repeatedly at 22 and decides he can buy 50 shares. He buys the odd-lot, paying one-eighth above the price of the next sale, or \$6.25 on 50 shares, \$4.50 State and Federal taxes on the no-par stock, and \$6.25 as broker's commission—a total of \$17 in expenses. When he sells it the expenses will be the same, except for the addition of a very small S E C fee on sales. Buying and selling will have cost him just over \$34 on an \$1,100 commitment, or about 3%.

Without an advance in the price of the stock, the purchaser would need to hold it for the better part of a year before dividends would pay the cost of buying and selling it.

It should be noted that whereas the Government levies taxes only on the sale of securities, it is necessary for the odd-lot buyer to pay taxes on the purchase as well as the sale. This is because the odd-lot broker from whom he buys the stock must pay a tax on the sale, and in order to preserve his profit margin he passes the tax on to the odd-lot purchaser. As an example of what frequently happens, we might take the case of the man who has just bought 50 American Radiator and suppose that another customer had at the same time given an order to sell 50 shares of the same issue. The purchase is made at a price of 22⅛, the sale at 21⅞. The seller pays $4.50 in taxes, the odd-lot dealer in turn sells the stock to our purchaser, pays $4.50 in taxes, and passes the burden on. Boiled down, there is actually only one transaction here; one man sells and another buys, yet twice as much tax is paid as would be necessary were there no intermediary.

True, this means larger revenues to the Government, but from the standpoint of the man most concerned it is pure waste. If a method can be devised to make this tax unnecessary, eliminate the one-eighth point differential on the 50-share lot, and increase the volume of trading sufficiently, then the Government tax receipts will be unharmed and stock brokers will of course benefit immensely.

Trading Post on the N. Y. Stock Exchange.

There is a solution, not painless to all interested parties, but practical, logical *and effective.* It consists in changing the unit of trading in all stocks to 50 shares instead of 100. While the mechanics of trading would remain essentially the same, both the large and small investor would be offered a more dependable market. The tax on purchasing in multiples of 50 shares would be completely eliminated, with the odd-lot differential of ⅛ point applying only on blocks of less than 50 shares. Thus, the purchase and sale of 50 American Radiator, which was found to cost roughly $34 under present rules, would cost just about one-half that amount. The broker's commission would be $6.25 each way, the tax of $4.50 on the sale would bring the total to $17.00 and the S E C fee would add 3c to the expense.

As a matter of practical application, no sizable obstacles appear. There seems to be little doubt that the Stock Exchange is overstaffed and that the members and their employees can handle, very willingly, several times the present volume of business. Blocks of 100 or 1,000 shares would change hands just as they do now, probably more often because of wider public participation and the more numerous orders in the specialists' books. An arrangement to print only multiples of 100 shares on the tape during periods of great activity might be necessary. The difficulty of handling the business, in fact, is minute compared to the problem of securing it.

It is true that the odd-lot houses would lose some business, but these houses are few and the tonic such a change would provide for the market might more than recompense them. In its effect upon brokerage revenues, the change should be startling. With the market in each listed issue thrown open on a reasonable basis to the investor of just half the present requisite amount, volume and commissions should improve immediately. And in this business, as in many others, activity begets activity.

Broad public interest in the market, not induced by shyster methods, but in response to the progress recorded by American business, is the desire of all who understand the purpose and practice of investment. Such a market, with participants throughout the country expressing their convictions on the value of individual securities, would be difficult to manipulate, easy to enter or leave. It would reduce the temptation to overtrade resulting from false pride in hundred-share lots and from the desire to save an eighth.

The move should meet with the approval of the S E C, whose objective is to protect the interests of the investor. It would solve the problem of stockbrokers in a constructive way. Finally, it would strengthen the pulse of the main artery which directs capital into the faster-growing parts of American business. This, the traditional reason of a stock exchange for existence, deserves immediate and purposeful consideration.

Happening in Washington

BY E. K. T.

Self-assertion now dominates Congress. Favorite expression: "Time we did a little legislating on our own." Defeat of Supreme Court plan was quickly followed by shelving of farm legislation, government reorganization, power authorities scheme; revamping housing, farm tenancy, wage-hour, sugar bills; and many lesser exhibitions of independence which increase as session continues. This spirit will continue into next session and may grow unless Roosevelt demonstrates public demands unquestioning acceptance of all his ideas.

Party control in 1938-40 is the prize at stake. Roosevelt has every intention of dominating political events. If he can't silence or purge party of "disloyal" Democrats he will be ready to launch new national party. To this end he is nurturing LaFollette Progressive party, Good Neighbor League among "intellectuals," Labor's Non-Partisan League and its somewhat affiliated local labor parties, and "100% New Deal" governors and state machines.

Supreme Court control is still definitely a Roosevelt objective. He will not let country forget it. Thinks recent favorable decisions due to his Court drive but are only temporary advantage and that country demands end to what he calls legislating by judiciary. What plans he has in mind which only a hand-picked Supreme Court would approve is anybody's guess.

Labor splittings into more factions further disintegrating solid labor front are iminent possibilities. Lewis' condemnation of Roosevelt for coolness toward his organizing campaign is largely bluff and endangers rift in C I O, but Lewis intends to keep control of Labor's Non-Partisan League in his hands rather than Roosevelt's "just in case." A F of L unions disagreed on wage-hour bill and some old Republicans there may break with New Deal openly.

Modification of Labor Relations Act probable next session. In consequence present policies of the N L R B lean toward conservative side although a large number of complaints continue to come in from numerous labor groups.

Business control plans of New Deal don't stop with present wage-hour bill. Extension of this idea will be sought next year and also a measure of economic planning through guise of permitting industry trade practice agreements, the latter quite possibly tied up with revision of anti-trust laws.

Garner's interference in Senate deadlock on judicial reform plus his subsequent advice to President to lay off reforms and reprisals may end his close relationships with "the boss." His brand of party harmony suits the Senate and is in the political tradition but it doesn't jibe with Roosevelt's idea of party harmony as personal loyalty.

Administration ineptness in handling Congress now that it can no longer be done by a whisper or nod is demonstrated by futile lobbying on sugar and resale

WASHINGTON SEES

Congressional independence growing with every hitch in New Deal legislative program.

Roosevelt, determined to press ahead and take battle to the country.

Emergency psychology still motivating New Dealers.

Seeds of new political line-up sprouting.

Supreme Court's supremacy still an issue.

More government control of business and agriculture to be sought.

Housing and tenant bills full of inconsistencies and problems.

price maintenance bills. Latter slipped in as rider to District of Columbia tax bill, despite Roosevelt's earlier strong opposition, while he slept at the switch. Undercover efforts to kill it were too late so he found himself confronted with choice of signing or vetoing.

S E C expulsion of stock exchange member on rigging charge, first such action, shows determination of commission to use teeth of securities act to protect public against stock manipulation and willingness to meet court challenge of law's constitutionality. Basing decision on motives, S E C set precedent by careful delineation of legal and illegal practices.

Patman again proposes curb on mass distribution with bill to prohibit interstate retail store or bank chains, destined to sleep in same pigeonhole with the indefatigable Texas Congressman's earlier bill to prohibit manufacturers owning retail outlets.

Food & Drug bill in rather drastic form being whipped into shape by House committee in eleventh-hour spurt after months of delay. Victory won by industry in getting advertising provisions transferred to jurisdiction of Federal Trade Comm. may be offset by revival of strict label requirements.

Hint of anti-trust action against independent oil jobbers apparently deliberately planted by high Dept. of Justice officials for reasons of their own greatly embarrassed anti-trust division which is depending on information from jobbers in case under preparation against price-fixing by major oil companies in East.

Chain store tax of confiscatory nature voted by House for Dist. of Columbia was eliminated in Senate with administration approval in belief Congress' action for D. C. would be taken as model for similar laws in all states. Bill was patterned on La. and Pa. statutes.

Housing bill now much less ambitious and costly than original proposal but imposes heavy liability on Treasury, both actual and contingent. Attempt to meet Treasury's preference for capital grants over annual operating subsidies is joker in that municipalities have choice of alternatives and most will take subsidies. Originally 60-year, now 20-year, program but few think it will end then or that fund will long stay at present $700,000,000 maximum. Designed to operate in field allegedly neglected by private capital, it has potentialities of threat to apartment owners. Will stimulate building trades and supply dealers and should have wide social effects if wisely administered.

Farm legislation deferment to next session is revolt of Congress against dictation from administration and farm lobbyists. Committeemen will spend recess talking to dirt, rather than swivel-chair, farmers. But administration can't understand why its grandiose granary plan doesn't appeal to everybody; will make a public issue of permanent crop control.

Farm tenant bill signed by President is entering wedge for new approach to nationalization of agriculture but

Pictures, Inc.

Robert M. LaFollette. His Progressive Party may become nucleus for new national party carrying the New Deal banner.

permits administration to claim redemption of pledge to aid depressed third. Initial $85,000,000 fund is only a starter. Act conflicts with many professed Roosevelt policies, e.g., weakens civil service, creates additional agency overlapping old, gives bigger interest subsidies than those of F C A just vetoed by Roosevelt. But a Congress which is fighting President's request to abolish Comptroller General exempted Farmer's Home Corp. from audit by this officer. Tenants become vassals of Sec. of Agr. who can dictate their farming practices. Act is example of poor execution of noble ideal.

Government reorganization will get no farther than the appointment of six executive assistants at the current session.

Tax loophole closing without injury to bona fide transactions proved baffling legal job to bill drafters. Best bet was measure more face-saving than revenue-saving but threat of undesired amendments in Senate caused hesitation in pressing even a nominal loophole bill.

Present proposals indicate much more stringent regulations and heavier tax burden on personal holding companies. Such companies even though domestic will be hard hit, while extra measures are directed against foreign personal holding companies to encourage their dissolution.

Corporate surtax opposition quietly grows in Congress with large bloc certain to demand its repeal or modification to give credits for debt retirement or business expansion when opportunity comes, probably early next session. As part of promised general revenue revision such a move would be less a slap at administration than separate action now.

Why Banks Are Selling Bonds

A Significant Clue to the Bond Market and the Outlook for Commercial Loans

BY FRANCIS EDMONDS

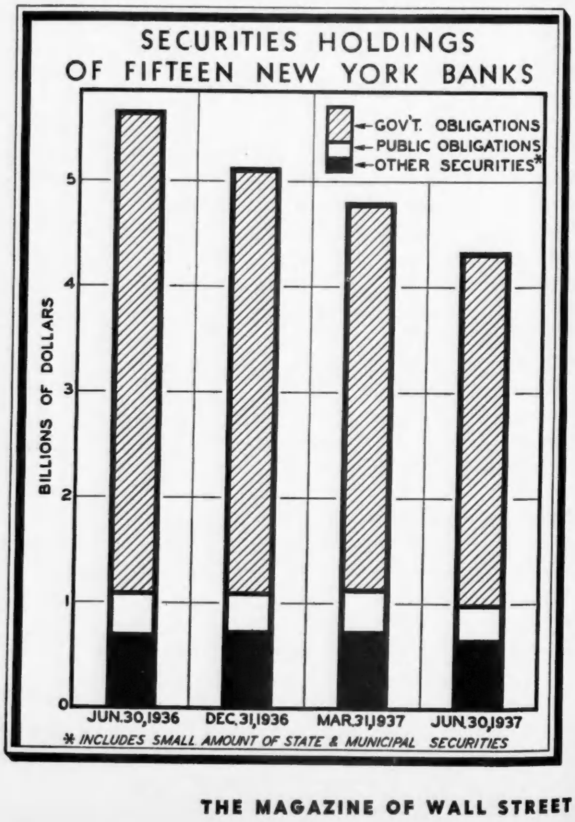
WHY are banks selling bonds and what is the significance of decreasing bank portfolios as regards the level of bond prices? Statistically the evidence of bank liquidation, at least on the surface, is rather startling, particularly in New York City.

In the year ending June 30 fifteen of the large New York banks disposed of more than $1,200,000,000 government securities, a decrease of more than 26 per cent, sold or allowed to mature without replacement $100,000,000 State and municipals, a decrease of 25 per cent, and likewise liquidated some $14,000,000 other securities, the latter being about 2 per cent of their holdings. Of the 15 banks all were down as regards their holdings of Federal securities; 8 were down and 4 were higher on their holdings of other securities, while 3 displayed little change in the amount of other securities they owned.

Statistics for member banks in the country at large reveal that the bulk of the liquidation of Federal securities has been by New York banks and that decreases in holdings of other securities, including public obligations, have been larger in New York than elsewhere, though the trend has been closely paralleled in figures of banks outside of New York City, except as respects small country banks. Therefore it may be expected that an analysis of the operations in securities of the fifteen New York City banks will give a typical sample of what banks are doing in the country at large, providing a useful pointer as to the course of the bond market. Naturally allowance must be made for the fact that New York banks, as central reserve city institutions, not only are subject to unexpected demands from correspondents, but also are operating on a smaller margin of reserves for the reason that the bulk of Treasury borrowing is done in New York, while the money raised is spent, creating bank reserves, in other districts.

The facts behind the statistics disclosing the operations of the 15 large New York City banks tell a story quite different from the superficial conclusion to which the figures cited at the start of this article seem to point. As regards Federal obligations, yes, the banks have liquidated on a large scale for reasons connected with increases in reserve requirements and in anticipation of an expanding demand for commercial loans. As to State and municipal obligations, virtually all the decline has been caused by the maturity and payment, out of tax receipts, of large amounts of New York State and New York City indebtedness. As regards other bonds, there is no evidence of a general liquidation, but much evidence of purchases of called bonds, on a money basis, followed by the loss of such obligations at maturity. In the nine months ending March there were a large number of refunding operations involving the calling of outstanding issues, providing attractive opportunities for banks to employ their idle money on a basis to yield 1 per cent or more, which was better than a nominal call rate of 1 per cent, at which it was difficult to place more than a certain proportion of available funds.

It will be noted from the figures of the fifteen banks that four—the National City, First National, Chemical and Manufacturers Trust—increased their portfolios of securities other than governmental, State and municipal securities. Three others—Corn Exchange, Commercial



and Public—made little change in their portfolio. Changes in the aggregate portfolio of the remaining eight banks were comparatively small in proportion to total resources, but they were downward.

Four of the eight accounted for a goodly proportion of their decrease through elimination of bonds of doubtful merit many of which had been carried through the depression. These poor bonds were disposed of in many cases at a loss, but at prices better than those to which they had written down on the banks' books.

The remainder of the decrease in the portfolios of these eight banks was accounted for by the calling of bonds refinanced, the refunding issues being adjudged not suitable, because of interest rate or maturity, for bank investment; the loss of called bonds picked up on a money basis and the sale of a few bonds because, in the opinion of investment officers, they had risen to prices higher than were justified.

The remaining four institutions whose portfolio of "other securities" decreased explained the decline mainly as due to the payment of bonds which had been purchased when called, or, the sale of some issues which the bank had originally purchased under special circumstances. One institution which registered a decrease accounted for most of it by the maturity of a large block of Federal Intermediate Credit Bank obligations which were not replaced, together with the sale of some second grade railroad issues believed unsuitable for bank investment.

Only three of the eight institutions were influenced by a feeling that prices of bonds generally were as high as they might reasonably be expected to go, based upon the time honored theory that a rising commercial demand for money lifts money rates and depresses bonds. It is probable that this reasoning also had a slight bearing upon some of the selling of government securities. One of the three banks influenced by a bearish theoretical attitude sold as a matter of policy and believes the action of the market justified its reasoning.

More interesting were the policies of the four institutions which added to their holdings of general bond investments. Two of these, in company with several others which had shown a net decline in their total holdings of bonds, explained most of the increase in their portfolios by purchases of called bonds. In the period under review more than $100,000,000 Argentine bonds were called and, since they sold at prices yielding more than 1 per cent after call, they were attractive to banks.

One of the institutions frankly pursued a policy of buying bonds of short-term character which its officers believed would be sound investments in a period of rising industrial and trade activity, as well as government guaranteed or quasi governmental bonds adjudged as secure as direct obligations while yielding more. This institution considered Federal Intermediate Credit Bank bonds attractive when obtainable at a generous yield.

Another was pursuing a trading policy, disposing of issues selling on what it judged to be too high a price and replacing them with issues selling at a lower price. Still another confined its operations to picking up any sound short-term security which looked cheap.

In summary, then, three banks were definitely bearish, four bullish as regards *(Please turn to page 567)*

Securities Portfolios of 15 Large New York Banks

(Millions of Dollars)

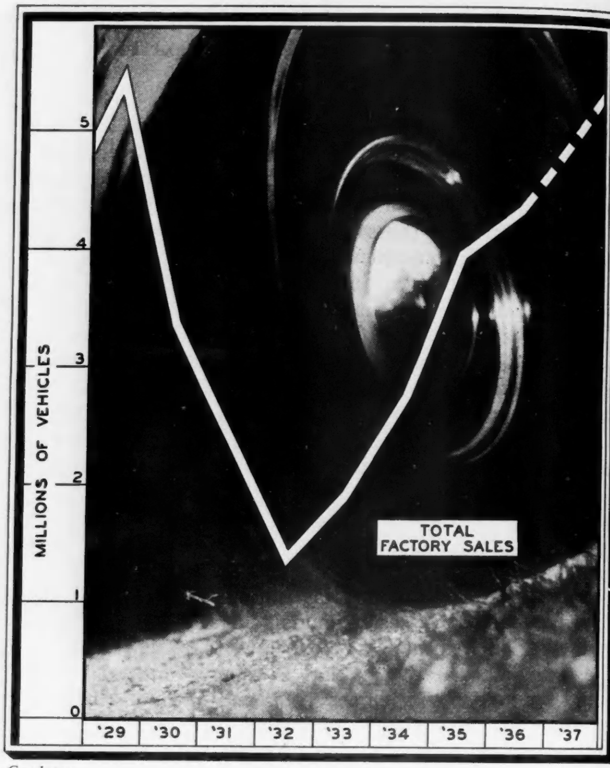
	U. S. Gov't	Other Public	Other Securities
Chase National			
June 30, 1937	619	59	161
Dec. 31, 1936	780	75	182
June 30	736	97	184
National City			
June 30, 1937	419	93	140
Dec. 31, 1936	527	105	123
June 30	623	101	106
Guaranty Trust			
June 30, 1937	646	43	20
Dec. 31, 1936	590	54	24
June 30	818	44	25
Bankers Trust			
June 30, 1937	401	18	16
Dec. 31, 1936	449	31	17
June 30	581	35	23
Central Hanover			
June 30, 1937	293	16	21
Dec. 31, 1936	352	10	30
June 30	398	12	38
First National			
June 30, 1937	237	*	129
Dec. 31, 1936	236	*	128
June 30	251	*	121
Manufacturers Trust			
June 30, 1937	152	16	63
Dec. 31, 1936	238	17	60
June 30	257	22	55
Irving Trust			
June 30, 1937	172	5	8
Dec. 31, 1936	226	7	10
June 30	210	8	13
Corn Exchange			
June 30, 1937	130	*9	18
Dec. 31, 1936	132	10	16
June 30	150	11	17
Chemical Bank			
June 30, 1937	122	29	30
Dec. 31, 1936	145	42	48
June 30	157	32	12
New York Trust			
June 30, 1937	111	*	13
Dec. 31, 1936	171	*	29
June 30	166	*	36
Manhattan Company			
June 30, 1937	65	5	13
Dec. 31, 1936	80	7	14
June 30	104	31	15
Bank of New York			
June 30, 1937	54	*	12
Dec. 31, 1936	59	*	20
June 30	61	*	19
Public National			
June 30, 1937	20	*	26
Dec. 31, 1936	26	*	27
June 30	35	*	26
Commercial National			
June 30, 1937	27	*	4
Dec. 31, 1936	21	*	3
June 30	32	*	4

* State and Municipal securities included in other securities.

Outlook for Motor Profits

Will Higher Prices Offset Higher Costs?

BY GEORGE L. MERTON



Gendreau

PRODUCTION of 1937-model automobiles will soon be a matter of history. In preparation for next year's cars Packard has shut down completely. Studebaker is practically down and, within a week or two, 1938 models will be rolling off the assembly lines of these two companies. A few weeks later others will join the parade, until finally, by the time of the automobile show at the end of October, all will have their new offerings jockeying for the public's favor.

So far as the new models themselves are concerned, the present likelihood is that they will be very little changed from those which have been bought so avidly this year. There will be the usual minor improvements, of course, but of radical changes, it is safe to say that there will be none. Next year's cars will be a little wider. There will still be die-cast radiator grills, but of slightly different shape and fabricated in sections for the greater ease and the lower cost of replacement. Automatic transmissions will make their appearance here and there, probably as an extra. Packard is to swing to an all-steel top, while it seems that Oldsmobile has been selected by General Motors to act as a trial balloon in the matter of automatic transmissions. As has been said, however, the sum of important changes will not be a large one.

Nor does it seem that the question of model changes is a matter of any great importance. The demand for this season's styles has held up remarkably well and, as a result, the majority of manufacturers have set themselves the task of maintaining a high rate of activity until the last possible moment, giving themselves less time than ever before to make the annual changeover. For the first six months of this year, production of cars and trucks in the United States and Canada totalled 2,917,220 units, compared with 2,594,508 units in the first six months of 1936. June output was 11 per cent greater than in June, 1936, and July should show about the same gain over the corresponding previous month. Last year production totalled 4,616,857 units: it begins to look as if the industry can surely count on 1937 being a 5,000,000-car year and might even hope for its reaching the 5,200,000 mark.

Although even this last figure is below the 1929 record, it is to be remembered that automobile output has been moving forward for five years without any kind of interruption—the first time since the war that such a long-lasting climb has been seen—and one begins to wonder how much longer it can keep up the steady gains. Will 1938 witness the smashing of 1929's long-standing record of 5,600,000 units and is it possible that 1939 will see the establishment of yet another new peak? If so will profits of leading manufacturers be in proportion? Although these questions cannot be answered categorically, certainly the outlook for the automobile industry is a valid field for investigation.

The first point which arises in connection with automobile output, especially over the near-term, is the possibility of labor trouble making it physically impossible to meet the demands of the market. It is known to everyone, of course, that the initial surge of the C I O has been broken. This is not to say, however, that unionization and the labor trouble that always seems to follow is a dead letter in the automobile industry. Probably we can count upon a fair degree of

stability for a time—a season is about to close, men are being laid off and furloughed and, with internal troubles within the ranks of C I O itself, it is obviously no time for a major labor effort.

What happens later depends more than anything else on public opinion. At the present time, there is every reason to believe that the public is sick and tired of strife between employer and employed: it doesn't like the connection between C I O and the Washington Administration even though that amity is less apparent now than a few weeks ago. But the public's memory is short and if the C I O lies quiet for a while and, above all, demonstrates that when it does sign a contract it means what it says, then the average citizen would certainly become less openly antagonistic. As a matter of fact it is said that Washington, belatedly seeing the handwriting on the wall, has "passed the word" that contracts are to be kept. And it is a fair assumption in the light of all that is known at the present time, that whatever the outcome of the internal squabble between conservative and radical elements in the C I O, the union will be sensible enough to build up its impaired public relations. Specifically, this could be done by agreeing to fair penalties and punishments in its pending contract with General Motors, the company which has suffered most from "wild-cat" stoppages. Mr. Sloan, General Motors' president, in connection with the semi-annual report made mention of responsibility for contracts being "superimposed from without by due process of law." While unions unquestionably are going to be made legally responsible sooner or later, it is too much to hope that Washington will do anything along these lines in the near future. It is, however, a reasonable hope that both the automobile companies and the automobile parts companies have seen the worst of their labor troubles for this year, at least. As for labor costs, these were raised sharply at the end of last year and beginning of this and wages are not expected to be a major bone of contention or an increased burden in coming months.

With the prospect of a comparatively quiet situation prevailing on the labor front, the industry is freer to turn its attention to the economic aspects of selling automobiles under highly competitive conditions so that the number sold multiplied by the unit price will yield the largest net profit. This is the trickiest of all business equations. All costs are higher than a year ago and the trend, though restrained, is still up. How much of the additional expense shall the manufacturer absorb, attempting to maintain his profits by increased volume, and how much shall he pass along to the buyer with the danger that if he passes along too much he will materially narrow his market?

It is certain that automobile selling prices are going to be higher. The industry, however, will see to it that the adverse psychological effects are as light as possible. In the low-priced line accessories in which there is a wide profit margin may be added to the new cars and prices raised sixty or seventy dollars. Thus, should a prospective customer make mention of the rise, the salesman can always say: "Yes, but last year's models didn't have this, that, or the other thing." Also, it may be possible to minimize the necessary increase in selling prices by greater manufacturing efficiency, or even by taking some small value out of the vehicle. One cannot be very hopeful over the possibility of increased efficiency, for Mr. Sloan of General Motors has just made the point that his company's recent experience shows an actual decrease in efficiency. With all the fuss being made over the strain on the workers which the speed of assembly lines involves, one might expect a further decrease: certainly, it would be optimistic to expect marked improvement.

It is sometimes thought that all the automobile companies have to do in order to offset their own higher costs is to take it out of the automobile accessory companies. Of course, every automobile company drives a hard bargain with the supplier of parts, but except where the accessory company is completely dominated by the buyer the former has a surprising amount of leeway to forego business that obviously will prove unprofitable. Besides, the accessory companies have been turning to other lines and there are few indeed among the accessories today that do not manufacture refrigerators and other household equipment, plumbing supplies, or some other line which gives them a degree of independence. Nor must it be thought that the accessory companies are tied hard and fast by contracts which will spell ruin for them in the event that the cost of making parts should rise materially. It is customary for these contracts to carry escape clauses covering labor troubles and an increase in the price of raw material. No tears need be shed over the destiny of the well-established accessory company.

As always, the action that Ford takes over prices will have a good deal to do with the policy of the other manufacturers of low-priced lines. Considerable significance therefore attached to the recent announcement by Ford that prices on several models *(Please turn to page 568)*

New Passenger Car Registration

	5 mos. 1936	5 mos. 1937	% of Total 1937
Buick	65,826	83,186	5.09
Cadillac	5,039	5,606	0.34
Chevrolet	425,294	341,537	20.88
La Salle	5,164	12,714	0.78
Oldsmobile	87,186	86,305	5.28
Pontiac	72,312	93,773	5.73
Total General Motors	660,821	623,121	38.10
Chrysler	24,712	38,821	2.37
De Soto	16,299	32,076	1.96
Dodge	103,752	118,360	7.23
Plymouth	206,001	215,087	13.15
Total Chrysler	350,764	404,344	24.71
Ford	335,245	407,291	24.89
Lincoln	5,283	11,776	0.72
Total Ford	340,528	419,067	25.61
Hudson	10,328	7,381	0.45
Terraplane	34,135	35,914	2.19
Total Hudson	44,463	43,295	2.64
Graham	6,655	6,268	0.38
Nash	18,305	34,080	2.08
Packard	23,185	47,468	2.90
Studebaker	28,277	33,882	2.07
Willys	4,590	23,086	1.41

Data from Ward's Automobile Reports.

Phillips Heads for Higher Earnings

Integrated Petroleum Unit in Strong Position

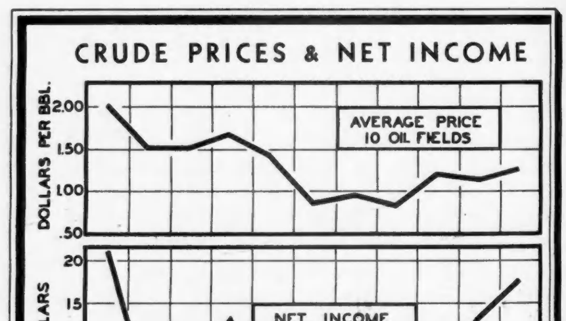
BY WARD GATES

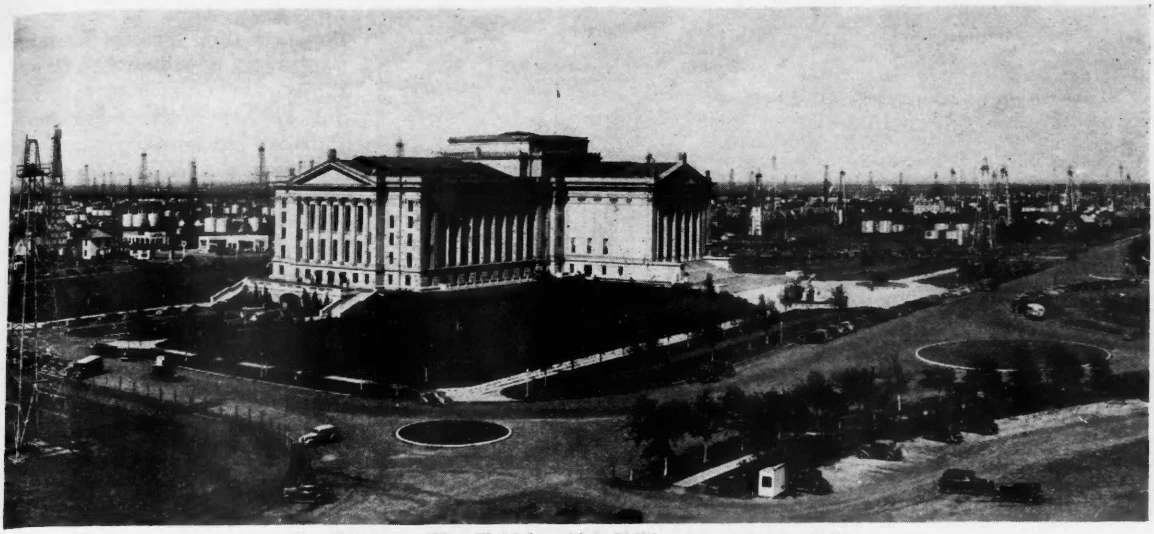
On the basis of interim reports so far available and current oil trade prospects for increased demand at high prices over the balance of the year, Phillips Petroleum probably will report the best earnings in the history of the company for 1937. In most industries, the previous peak earnings were realized in 1929. In the oil industry, however, 1929 was just another good year, but falling short of the 1926 peak earnings for most of the companies operating in that industry. In 1926, for instance, Phillips earned the huge sum of $21,408,000 profits, about $8.90 a share on the common stock then outstanding. The remarkable part of this showing is that gross income in 1926 was $57,838,000 and after all operating costs plus a deduction of about $19,380,000 for depreciation, depletion, taxes and interest charges, profits remaining for shareholders were equal to more than 37 cents for each dollar of gross sales.

The comparison between the present financial and operating position of Phillips and the set up in 1926, the previous peak of prosperity for the company, therefore, is unusually interesting. On the financial side, the first thing that strikes the eye is the fact that the previous peak of earnings in 1926 was achieved on a full year's gross income that was slightly less than the gross income recently reported for the first six months of 1937. In 1926, the company's net crude oil production was a little over fifteen million barrels, without any important restrictions between "potential" production and actual withdrawals. Last year, the company's net production was close to twenty million barrels under proration restrictions that in some fields reduced actual withdrawals to three or four per cent of the "potential" production of the company's wells.

Reducing the above figures to the most elementary basis, it works out something like this: in 1926, the company's profits were about 37 cents on the gross dollar, whereas in 1936, its profits were only 17 cents on the dollar and in the first half of 1937 were about 21 cents on the dollar. In 1926, net profits were equal to approximately $1.45 per barrel of crude oil production (net), whereas in 1936 profits were equal to about 89 cents a barrel on net production.

On the surface, these comparisons would appear to indicate an appreciable decline in operating efficiency of the business. A more careful examination of the facts, however, throws a different light on the case. One finds, for example, that technological changes in the petroleum industry have greatly increased the operating efficiency of leading companies all along the line from production to distribution. In order to achieve this efficiency, practically all of the large units in the industry have become well "integrated." In actual practice, this process of integration required refining units to develop their own crude supplies, while on the other hand, the former producing units have expanded into





The Oklahoma City Field in which Phillips has a large stake

the refining and marketing branches of the industry. The net result has been a fairly constant excess capacity of refining equipment, highly competitive conditions and narrow operating profits.

Only the fortunate occurrence of greater increases in demand from year to year than anyone had the right to expect prevented outright demoralization in the industry at numerous times during the past decade. Only the really efficient petroleum organizations have survived. Efficiency, therefore, cannot be appraised by a comparison of profit margins today with those realized ten years ago, but rather by the comparison of a single company's profit experience with that of the industry as a whole.

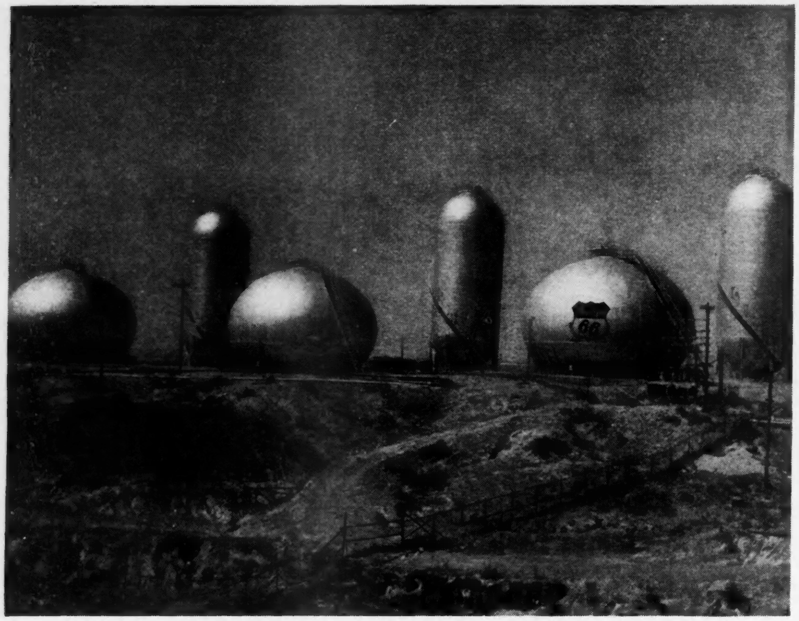
In the latter respect, Phillips makes a splendid showing. The ratio of operating income to sales is calculated as 16.5 per cent for Phillips in 1936. Among the nine major oil companies which report gross income, the highest operating income in 1936 was 14.5 per cent (Standard Oil of California) and the lowest was 5.3 per cent (Atlantic Refining). The average of the nine companies was approximately 9 per cent.

Some indication of the proportion of operating profits which Phillips is in a position to pass along to shareholders is given by the ratio of net income to net worth. Again Phillips shows the best ratio among ten leading oil companies, with 11.2 per cent, as compared with an average of approximately 7 per cent for the nine other large oil concerns. The next best unit in this case is Texas Corp. with a ratio of 9.6 per cent and the poorest showing again is by Atlantic Refining with a ratio of only 4.8 per cent. In the face of such comparisons it could hardly be said that Phillips' operating efficiency had declined during the past ten or eleven years since its last year of peak prosperity, merely because its 1936 profit margin was less than its 1926 profit margin.

What actually happened during this interval is that the oil industry generally has passed along the bulk of its savings from increased operating efficiency to the consuming public because of severely competitive conditions. The average price of crude oil in ten major fields was approximately $2.10 a barrel in the summer of 1926, whereas during the summer of 1936 it was just under $1.30 a barrel and this summer runs about $1.40 a barrel. During the summer of 1926, the average retail gasoline price in 50 cities (excluding taxes) was about 22.3 cents a gallon; last summer the same average was about 14¼ cents and this summer it is about 14¾ cents a gallon. Naturally, Phillips' profit per barrel of crude would be substantially less at the lower prices in recent years. But, in relation with the rest of the industry, the company is still well out front in the operating efficiency indicated by the profit and earnings ratios mentioned above.

The excellent comparative showing of Phillips is, of course, complimentary to the abilities of the management which has been in control of the company's destinies from its inception about twenty years ago. In all fairness to the managements of the oil companies against which these comparisons have been made, however, it should be mentioned that Phillips had at least one natural advantage which most of its competitors did not enjoy to the same degree. Very early in its history the company possessed large developed and potential natural gas reserves in Oklahoma and Texas. In the first year of the present organization, it erected its first natural gasoline plant near Bartlesville, Oklahoma. Ever since that date, the company has been an outstanding pioneer in developing the maximum recovery from natural gas.

While many oil concerns, in their hasty efforts to get as much crude oil out of their leases as possible, were letting their natural gas shoot off into the air, Phillips was actively engaged in scientific research to find out how to utilize this fine natural resource to the best possible advantage. When state regulations prevented this unpardonable waste, Phillips was in an excellent position to capitalize from its development. The so-called "wet gas," i. e., natural gas, containing minute particles of gasoline, was treated to take out the natural gasoline, then the dry gas was sold to utilities or distributing companies for industrial and house heating purposes. When outlets were lacking for such gas, it was used to make carbon black, an ingredient essential to many



Some of Phillips Petroleum's Butane storage tanks

present-day industrial and chemical processes.

Phillips Petroleum today ranks as the largest producer of natural gasoline in the world. This product is highly volatile and its use in blending commercial grades of gasoline marketed by Phillips has been instrumental in establishing a fine reputation of these trade-marked grades. The surplus over and above its own needs is sold to other oil companies for blending purposes and there has been an active market for the product in recent years, particularly in the manufacture of winter grades of gasoline, where a high degree of volatibility for the blended product is desirable. The trend of automobile design in favor of high speed, high compression motors and the development of military and civil aviation both have been advantageous for Phillips because they create a broader demand for its highly volatile natural gasoline, which otherwise might be marketed at the price of a by-product.

Although endowed with these natural advantages, it is evident that Phillips' management has taken fullest advantage of both its own natural resources and the industrial trends in its favor. One of the reasons why natural gasoline was not widely used in motor fuel blends in earlier years was the highly unstable nature of this product, due to the presence of extremely light elements such as propane and butane, which tended to evaporate too readily. Research by Phillips developed methods of separating these lighter fractions, thereby making the natural gasoline more stable and at the same time providing the company with a profitable by-product, "Philgas." This is the trade name of the propane and butane elements, separated from natural gasoline and marketed in liquefied form in pressure tanks as a household cooking gas and an industrial fuel.

In 1935, the company's chemists, cooperating with other interests in the industry, developed the polymerization process for treating gas (both natural gas and refinery gases) in the production of gasoline. Phillips was instrumental in creating the Polymerization Process Corp., and now owns a minority interest in this unit in conjunction with Standard of New Jersey, Standard of Indiana, Texas Corp. and others who have thrown in their own patent rights.

Aside from the potential future income from this interest, Phillips, which also has a license and a contingent royalty interest, is likely to find the polymerization development of special advantage, since it lends greater elasticity in processing its large natural gas reserves and enables fuller commercial exploitation of this resource. Heretofore, available surplus of dry gas has been utilized in the manufacture of carbon black. Phillips, in addition to its direct interest in carbon black (through affiliated company engaged in the manufacture of this product) also is said to sell gas for production of approximately 45 per cent of all the carbon black produced in this country.

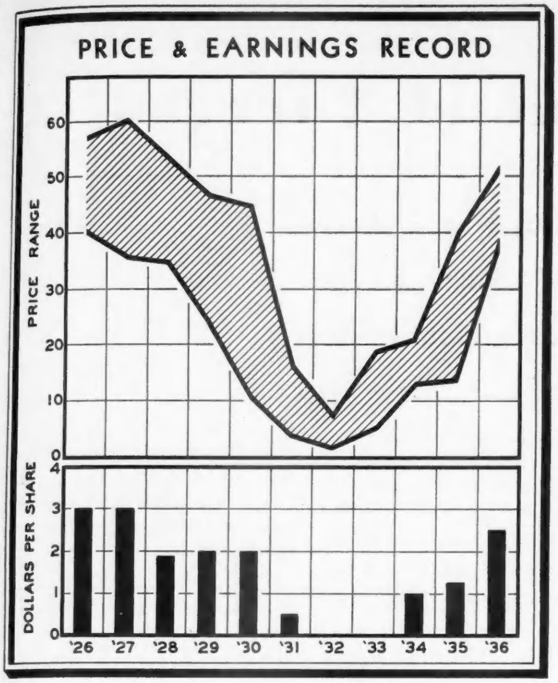
Details as to the scope of the company's producing and manufacturing interests are presented in tabular form below. It will be evident from a study of these facts that Phillips is not "just another oil company" but rather a unit which occupies a decidedly specialized position in the industry. Its peculiar advantage over competitors lies in ownership of extensive facilities for the production of a high grade motor fuel from natural gas. Through the highly successful exploitation of its vast natural gas reserves, the company's record is decidedly better than average and there is no reason to question why the company should not continue to make

Phillips Petroleum Activities

Production	1936	1935
Total Acreage	1,356,237	1,219,258
Acreage Operated	54,223	40,862
Gross Crude	35,493,129 bbl.	32,126,141 bbl.
Net Crude	19,974,254 bbl.	20,058,704 bbl.
Daily Average (net)	54,574 bbl.	54,955 bbl.
Oil Well: Producing	3,688	3,325
Gas Well, Producing	187	166
Refining		
Total Crude Runs	13,700,072 bbl.	13,178,853 bbl
Refined Gasoline Output	392,000,000 gal.	363,565,000 gal
Natural Gasoline	287,931,990 gal.	268,207,365 gal.
Marketing		
Average Sales Price (crude)	$1.0852	$0.9912
Average Sales Price (gasoline)	.0555	.050
Total Sales (all products)	858,271,832 gal.	806,153,176 gal.
Sales Outlets	13,211	12,600
Sales Carbon Black	38,412,042 lb.	23,468,750 lb.

PHILLIPS PETROLEUM PRODUCTS

Phillips "66" Gasoline	Lubricating Oils	Carbon Black.
Phillips "Poly Gas"	Philgas	Natural Gas (wholesale)



the same relative gains in its industry as it has done fairly consistently during the past decade or so.

Lest the somewhat technical descriptions of its various natural gas and natural gasoline interests obscure the importance of these operations insofar as stockholders are concerned, it might strengthen the point to mention that the company has utilized its gas reserves with something like the same efficiency that the packing companies are reputed to utilize livestock at the slaughter house. The proverbial "squeal" which the packing houses have so far failed to turn into a by-product might be likened to the dissipation of thermal energy in the manufacture of carbon black. However, the more recent polymerization developments promise at least to result in a more profitable commercial recovery of this raw material now devoted to carbon black manufacture.

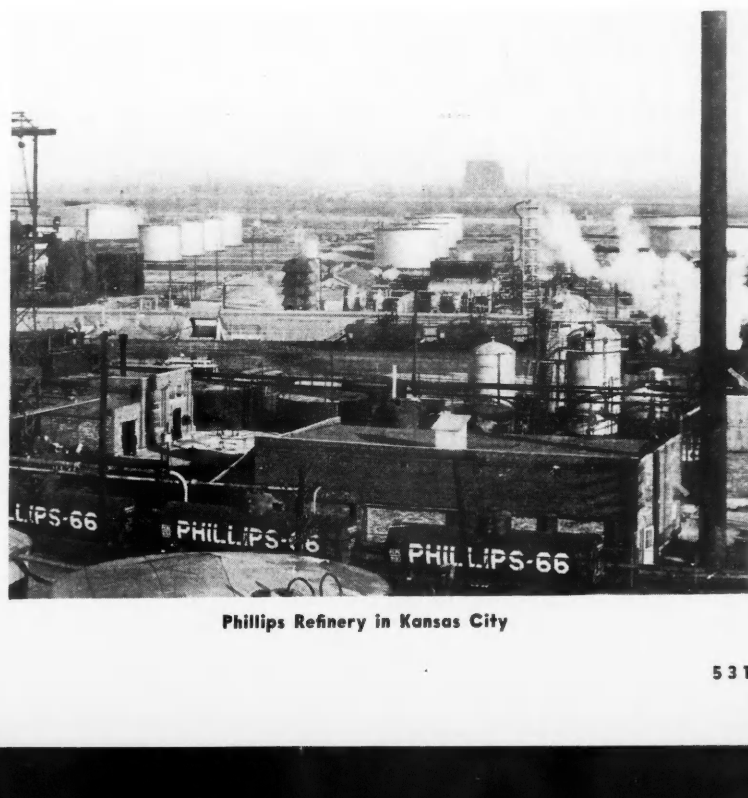
Phillips' refinery operations have largely been built or acquired within the past ten years and the company's activities in both the refining and marketing divisions of the industry are somewhat more restricted than average among the so-called integrated oil companies. Most of the comparisons that could be drawn, aside from marketing and refining, however, are decidedly favorable.

Production has been acquired and developed as successfully as any in the industry. When the present company was formed twenty years ago it owned only twelve leases on which there were sixty-eight producing oil wells and four producing gas well. At the end of the past year, the company owned 28,000 separate oil and gas properties covering 1,356,237 acres. The crude reserves represented by these leases are variously estimated at from 300,000,000 to 400,000,000 barrels. Probably the most important acreage is in the Oklahoma City field and its various extensions and expert appraisals of this field alone credit Phillips with about 150,000,000 barrels reserve. Accordingly, the higher of the two figures previously mentioned would appear to be the more realistic.

In relation to capitalization, Phillips reserves are at least a fair average of the larger oil concerns, being the equivalent of about 85 barrels per share of stock outstanding. Production in 1936 was equal to about 4.2 barrels per share, indicating a life of over twenty years at last year's rate of operation. From our studies, we conclude that Phillips ranks among the first ten companies in so far as per share reserves of crude oil are concerned and among the first seven or eight in per share production. Reserves are not an exact figure and since estimates vary considerably for each company, this data must be taken with some mental reservation. From a practical standpoint, it is probably as important to note the relation between normal refinery requirements of crude and crude output, Phillips having an excess output over refinery needs of about 50 per cent—the highest ratio, with one exception, among the so-called integrated companies.

The comparison of per share crude reserves and crude production hardly does Phillips justice, however, since the natural gasoline, natural gas, carbon black and Philgas divisions are at least as important a source of income as the crude division. Naturally, the development of these interests is reflected in the stock capitalization. While other oil companies also have important natural gas interests, it is probably a safe generalization that comparisons on an over-all basis of both crude oil and natural gas interests would reveal few peers to Phillips, capitalization considered.

Gasoline is the "money (*Please turn to page* 562)



Phillips Refinery in Kansas City

Mid-Year Dividend Forecast

PART II — Steel, Motors and Accessories, Tires, Chemicals, Liquors, Sugar, Tobacco, Packaged Foods, Meat Packers

Although dividend payments have shown a steady upward march in recent months, dividend rates have shown increasing irregularity. This, of course, is a direct result of the workings of the tax on undistributed corporate profits. Many corporations are unwilling to estimate the trend of earnings months ahead and elect to make dividend disbursements on the basis of actual earnings shown in each quarter.

With general business in an uptrend, such a policy is likely to result in conservative payments in the early part of the year and larger ones in the latter quarter, particularly at the year end. The probabilities are that the total payments this year will considerably exceed the record of 1936.

It is true that operating costs generally are rising with higher wages and raw material prices, but consumer demand is broad and despite taxes and other legislative impediments the outlook is, by and large, for better profits.

As is always the case, however, not all industries, nor certainly all companies, will fare alike in the months to come. Some corporations have already reached capacity with respect to present facilities; others which have been late in recovery have great improvement before them.

It is to serve the individual and the specific need of the investor that this Dividend Forecast is prepared. Part I covering rails, public utilities and the various equipments appeared in the issue of July 31. Part II is presented herewith. Part III in the issue of August 28 will deal with oils, metals, aviation, building, merchandising and many miscellaneous companies.

The tables and comments comprising this feature are accompanied by our investment ratings which are explained in the table on this page.

Two fundamental factors, the industry and the company itself, are used to form our ratings. The letters, A, B, C, D, are used in connection with the industry according to the current and prospective activity in the field. These letters are not concerned in any way with individual companies. The numbers 1, 2, 3, 4, are used for rating the company on its earning power, current and prospective.

INDUSTRY	COMPANY
A—Active, further progress indicated.	1—Good earning power; substantial gains indicated.
B—Active, further progress may be slow.	2—Improvement in earnings expected.
C—Depressed, prospect for recovery favorable.	3—Gain in earning power may be slow.
D—Depressed, no nearby improvement indicated.	4—Earnings outlook unfavorable.

Record Second Half for Steel Likely

Steel tonnage failed to establish an all time high during the first half of this year solely because of the temporary curtailment of production incident to the C. I. O. losing strikes against Bethlehem, Republic and Youngstown Sheet & Tube. With these three producers now making up for lost time, the effect is to maintain the industry's summer volume at a higher level than would otherwise have been probable. Yet this circumstance alone is by no means sufficient to account for the unusual spectacle of the industry operating in mid-summer at a rate of 85 per cent of capacity. In all steel areas, backlogs built up by the wave of forward buying in the first quarter remain substantial, although they are declining.

Despite the fact that new demand has shown some slackening in recent weeks, no important additional decline in average operating rate is expected. The prospect for a revival of steel buying before long has been improved by several factors. Chief among these is the more confident business sentiment created by the recent defeat of President Roosevelt's court-packing plan and by waning fears of serious labor troubles. Reflecting this increased optimism, demand for heavy industrial machinery is already showing renewed vitality. In addition, larger crops at favorable prices and continued high level of factory payrolls augur well for general business activity during the rest of the year, directly enlarging markets for the lighter steels going into durable con-

sumer goods and indirectly expanding demand for some of the heavy steels. Renewal of demand for steel by the motor industry is expected soon as preparations get under way for new models. Continued rise in car loadings appears to forecast increased activity in railroad equipment by the start of the fourth quarter. Prospects for larger food pack insures improved demand for tin plate. With costs of building materials apparently stabilized, it is believed that the recovery in construction will assume increased momentum during the fourth quarter.

The business concensus is that third quarter recession will be of smaller proportions than had been expected, and that renewed expansion of industrial and trade activity in the fourth quarter is indicated. The unanimity of this view among a majority of independent economists, Government experts, bankers, and industrial purchasing agents is unusual and striking. With unchanged prices reaffirmed for fourth quarter deliveries of steel, there is no reason for abnormal forward buying, which means that present volume of new business, which is better than had been anticipated a few weeks ago, can be accepted as reflecting actual consumption requirements. Foreign markets, fed by the armaments race, continue active; and rising price for scrap points to higher ingot production during the autumn. On the whole, the chances are that physical output will reach an all-time second half-year high, and that steel company earnings and dividend payments for the period will make a highly favorable showing.

Position of Leading Steel Stocks

Company	Earned Per Share 1936	1st 6 mos. 1936	1st 6 mos. 1937	Price Range 1937 High	Low	Recent Price	Divs. Decl'd 1937	Market Rating	COMMENT
Acme Steel	6.58	2.76	5.37	84½	63¾	83	2.00	A-1	Last quarterly dividend was $1. In view of the high earning power may pay even more.
Allegheny Steel	2.12	1.35	1.72	45⅝	30½	35	1.20	A-1	Earnings are more than double the quarterly dividend of 40 cents a share which is being paid.
American Rolling Mill	2.73	1.02	2.30	45¼	31⅝	39	1.10	A-1	Earnings in the first six months were higher than in any previous full year.
*Bethlehem Steel	2.09	0.17	4.57	105½	73	98	2.50	A-1	Dividend of $1.50 just declared against $1 for previous quarter.
Byers, A. M.	def a	def b	Nil b	33¾	17⅛	20	None	A-2	Large arrears on the preferred to be liquidated before the common can receive anything.
Colorado Fuel & Iron	NF	NF	1.77 c	51⅞	31	36	1.00	A-2	Reorganized last year. New company is doing better.
Continental Steel	2.78	1.17	2.23	35⅝	25	30	0.75	A-1	Earnings would indicate a dividend greater than 25 cents quarterly.
Crucible Steel	3.04	0.86	NF	81¾	51	71	None	A-1	As of 9.30.37, $27 a share in back dividends on the preferred to be liquidated before the common can receive anything.
Granite City	0.75	0.27	0.84	48⅛	32	35	0.50	A-1	Quarterly dividend of 25 cents would seem to be well within the company's earning capacity.
*Inland Steel	8.54	3.63	5.20	131¼	94	120	4.00	A-1	A dividend of $1 plus 50 cents extra will be paid September 1. Further extras expected later.
*Jones & Laughlin	0.03	Nil	4.13	126¼	90⅝	112	None	A-1	Company may shortly take steps to eliminate preferred arrears and place common in a position for dividends.
Keystone Steel & Wire	....	1.90 b	1.50bE	20½	14¼	16	0.45	A-2	Quarterly dividend of 15 cents a share well covered despite some decline in earnings.
Ludlum Steel	1.95	0.75	1.81	41¾	29¼	36	0.75	A-1	More than 25 cents quarterly expected.
McKeesport Tin Plate	5.90	2.46	NF	42½	31⅛	37	0.50	A-1	The 50 cents dividend is the initial disbursement of the new company.
National Steel	5.80	2.40	5.40	97¾	70	97	1.25	A-1	Despite the need of expansion plans it would seem that the company could pay more.
Otis Steel	1.31	0.59	1.47	24⅜	14½	20	None	A-2	Elimination of preferred arrears puts the common in line for dividends.
*Republic Steel	1.74	0.44	0.88	47¼	27½	38	None	A-1	Failure to earn preferred dividends in the second quarter reflects labor troubles.
*Sharon Steel	3.C4	1.15	2.60E	42½	29	35	0.60	A-1	Estimate an all-time earnings record for the second quarter.
Smith, A. O.	....	1.73 d	0.10e	54½	27	34	None	A-2	Expected to do better.
Superior Steel	3.98	0.77	1.80	47¼	28⅝	34	None	A-1	Earnings foreshadow the early initiation of dividends.
U. S. Pipe & Foundry	3.45	1.84	1.95	72¼	44½	53	3.00	A-2	May pay a moderate extra before the year-end.
*U. S. Steel	2.91	0.41	5.99	126½	75	117	None	A-1	Now that all preferred arrears have been cleared up, common stockholders may expect a dividend before the close of 1937.
Wheeling Steel	4.70	2.31	6.77	65	38	59	None	A-1	With a view to cleaning up dividend accummulations on the preferred, stockholders have just approved a plan of recapitalization.
*Youngstown Sheet & Tube	7.03	3.39	4.08	101⅞	74¾	90	1.50	A-1	Without the abatement of labor trouble, the outlook is again a bright one.

*—In our opinion, the more attractive profit opportunities. NF—Not available. E—Estimated. a—Year to Sept. 30. b—12 months to June 30. c—Nine months to March 31. d—Year to July 31. e—12 months to April 30.

Further Expansion Certain in Chemicals

In basic investment characteristics, the position of the chemical industry is uniquely favorable. Its products are essential to the continuous operation of so many different industries, both in consumer goods and durable goods, that an equity in a large and diversified chemical company represents an ideal composite stake in American industry, certain to participate fully both in cyclical business recovery and in the country's longer term economic expansion. Moreover, the chemical industry's endless research will continue for years to come to yield new products which open up new markets, insuring as heretofore a substantially more dynamic rate of expansion in volume and profits than can be anticipated from American industry as a whole. As striking proof of this vitality, it may be cited that, whereas aggregate industrial production and profits have yet to top the 1929 level, volume and earnings of the best diversified chemical companies are now running at record high levels. For example, earnings of du Pont from its chemical divisions during the first half of this year were about 72 per cent larger than in the first half of 1929, while first half-year net of Union Carbide was nearly 43 per cent above that of first half of 1929.

On top of the above advantages, manufacture of chemicals involves a relatively small labor factor, so that labor troubles are unlikely ever to be of serious consequence; and majority of required raw materials are plentiful and relatively cheap. In keeping with the industry's growth, most chemical makers will have to continue expansion of facilities for some time to come. Prior to adoption of the Federal undistributed profits tax, it was the universal policy of companies in this field to finance expansion largely by re-investment of surplus earnings, after payment of reasonable dividends. It is now necessary to raise new capital by security financing, but this fly in the ointment is common to all business and is a far more serious handicap to most than to chemicals, since the record, credit rating and prospect of leading chemical makers are such as to command exceptionally favorable terms on financing.

The most desirable chemical equities can not be considered cheap on a statistical basis at present. They seldom are. Hence they hold appeal only to those willing to accept modest current yield, in expectation that further growth of profits will within a year or two sweeten the return, both as regards dividends and market appreciation. For the second half of this year, of course, comparison will be with a relatively active and prosperous period of 1936. For that reason, as well as the possibility of some recession in the older branches of the textile industry—the largest single user of chemicals—no one should be disappointed if chemical earnings do not equal the percentage gains of recent quarters.

Position of Leading Chemical Stocks

Company	Earned Per Share 1936	1st 6 mos. 1936	1st 6 mos. 1937	Price Range 1937 High	Low	Recent Price	Divs. Decl'd 1937	Market Rating	COMMENT
Air Reduction	2.80	1.31	1.67	80¼	64½	71	2.00	A-1	Volume and earnings gaining. Further extras likely.
Allied Chemical & Dye	11.45	....	....	258½	215	235	4.50	A-1	Higher div. rate probable on increased earnings.
★Amer. Agricult. Chem	4.71*	0.96†	3.15†	101½	83	95	2.50	A-1	Estimate over $8 in 12 mo. ended 12/30/37. Expect larger dividend.
Amer. Commercial Alcchol	4.30	1.26	1.15E	30¾	20½	24	None	A-2	Higher prices should help 2nd half earnings. Div. uncertain.
★Amer. Cyanamid "B"	1.77	0.68	1.13	35⅞	26⅝	35	0.30	A-1	Outlook good; expect extra or higher rate.
★Atlas Powder	4.20	2.12	2.78	94	68½	79	2.50	A-1	Expansion may restrict div. in spite of earnings gain.
★Columbian Carbon	7.48	3.42	4.30E	125¾	111	122	4.75	A-1	Favorable prospects for increased earnings and dividends.
Commercial Solvents	0.85	0.33	0.41	21¼	13	14	0.30	A-2	Higher raw material costs narrow profits.
Dow Chemical	4.15‡	....	....	159¼	116	124	2.60	A-1	Earnings outlook good; "special" unlikely until next year.
★du Pont de Nemours	7.56	3.27	3.41	180⅛	148½	161	2.75	A-1	Chemical profits and new capital permit larger payment.
Freeport Sulphur	2.43	1.22	1.56	32¼	24¼	31	1.00	A-2	May continue 50 cents quarterly on better earnings.
Hercules Powder	6.33	2.51	4.75E	185	144⅞	153	3.00	A-1	Profits gain on activity in paper trade.
Heyden Chemical	3.56	NF	2.52	42⅞	39½	46	1.50	A-2	Slow earnings growth probable; may pay extra.
★Mathieson Alkali	1.76	0.76	1.10	41¾	32⅝	37	0.75	A-2	Regular $1½ div. rate may be augmented by extra.
★Monsanto Chemical	4.01	1.90	2.40E	104	85	103	1.50	A-1	Outlook favorable for larger extras in second half.
Newport Industries	0.98	0.31	1.60E	41¾	28	33	1.25	A-3	Expansion possibilities limited but liberal dividend likely.
Texas Gulf Sulphur	2.58	1.25	1.53	44	33¾	39	1.75	A-2	Expect extras to continue; moderate earnings gain indicated.
★Union Carbide	4.15	1.71	2.27	111	95	100	2.40	A-1	Outlook favors steady earnings growth.
★United Carbon	5.54	2.73	3.50	91	69¾	85	2.00	A-1	Earnings warrant substantial extra over $4 rate.
★U. S. Industrial Alcohol	d0.20	0.23	0.77	43⅝	28	33	None	A-2	Earnings outlook better; dividend uncertain.
Westvaco Chlorine	1.40	....	0.90	27¼	19	21	0.75	A-2	Expansion should aid second half income—expect $1 rate to continue.

*—12 months ended June 30, 1936. †—9 months ended April 1st, ‡—Year ended May 31, 1937. E—Estimated. ★—In our opinion the more attractive profit opportunities. NF—Not available.

Position of Leading Motor Stocks

The outlook for the motor and accessory industry is discussed in detail on page 526

Company	Earned Per Share 1936	Earned Per Share 1st 6 mos. 1936	Earned Per Share 1st 6 mos. 1937	Price Range 1937 High	Price Range 1937 Low	Recent Price	Divs. Decl'd 1937	Market Rating	COMMENT
Auburn	def a	def b	def bE	36¾	13½	20	None	B-4	Series of losses make outlook for the company obscure.
Chrysler	14.25	6.83	6.31	135¼	94	115	7.00	B-3	Despite higher costs and strike expense, earnings for the first half almost equalled last year's. Div. of $3.50 just declared.
Ford Motor, Canada "A"	2.02	NF	NF	29¾	21½	25	0.75	B-3	Is expanding. Regular quarterly dividend of 25 cents is well covered by earnings.
Ford Motor, Ltd.	5.53%	NF	NF	8⅛	6¼	7	0.213	B-3	Net profit for last year moderately under that of 1935.
General Motors	5.35	3.17	2.47	70½	48⅛	57	2.25	B-3	Paid $4.50 in dividends last year, it is expected that payments during 1937 will be about the same.
Graham-Paige	def	def	NF	4¾	3	4	None	B-3	Line has been rounded out with a new farm tractor to be distributed through Sears, Roebuck.
Hudson	2.14	1.15	0.67	23¼	13¼	16	None	B-3	Has recovered fast but first half earnings restricted by labor difficulties.
Hupp	def	NF	NF	4	3	4	None	B-3	Operations resumed following a long shut-down.
Mack Trucks	2.41	0.85	NF	62¼	40⅜	45	0.50	B-2	Both earnings and dividends this year should be materially higher than in 1936.
Nash-Kelvinator	NF	NF	NF	24⅝	16½	19	0.75	B-2	Doing well and is expanding into other fields. Lack of per-share earnings is only due to the different fiscal years of the recently merged companies.
Packard	0.47	0.23	0.25	12⅜	7⅞	9	0.15	B-3	Production during the first half of this year was more than 100% greater than in the first half of 1936. Earnings, however, have been adversely affected by labor trouble and higher costs
Reo	def	def	def	9½	5	6	None	B-3	Operations now concentrated in commercial vehicles. May show small profit for third quarter.
Studebaker	1.01	0.46	0.54	20	12	13	None	B-3	Production up, but profit margins are narrowing.
White Motor	1.09	NF	NF	33⅜	20	24	None	B-2	Reduces the par value of the stock in order to wipe out profit and loss deficit and be in a position to pay dividends later.
Yellow Truck "B"	1.36	0.78	0.36	37⅜	20⅛	23	None	B-2	At the end of last year declared $35 on account of preferred arrears. Arrears still remaining as of July 1 totaled $28 a share.

E—Estimated. NF—Not available. a—Year to Nov. 30. b—Six months to May 31.

Position of Leading Motor Accessory Stocks

Company	Earned Per Share 1936	Earned Per Share 1st 6 mos. 1936	Earned Per Share 1st 6 mos. 1937	Price Range 1937 High	Price Range 1937 Low	Recent Price	Divs. Decl'd 1937	Market Rating	COMMENT
Bendix Aviation	1.44	0.89	0.78	30½	18⅛	21	0.75	B-3	Despite moderately lower earnings, 25 cents quarterly seems to be well within the company's capacity.
Bohn Aluminum	4.48	1.96	4.08	48⅛	37	44	1.50	B-3	Sharp gain in earnings largely due to non-recurring profit in the first quarter. However, likely to pay more than 75 cents quarterly.
*Borg-Warner	3.56	1.47	1.87	47	38⅞	46	1.00	B-2	50 cents declared on new stock following 2-for-1 split.
Briggs Manufacturing	5.26	1.99	3.00	59⅞	39¼	45	1.50	B-3	Latest quarterly dividend $1—double previous rate. Merger with Motor Products abandoned.
Briggs & Stratton	3.24	1.98	NF	53½	41¾	49	1.50	B-3	Regular quarterly dividend of 75 cents a share seems well assured.
Eudd Manufacturing	0.34	0.33	0.53	14⅜	7⅛	10	None	B-2	Large accumulations on the preferred to be liquidated before the common can be paid anything.
Budd Wheel	0.77	0.51	0.52	13	7¼	8½	0.20	B-3	Just declared dividend of 20 cents a share.
Campbell Wyant & Cannon	3.03	1.53	1.92	37⅜	24	32	0.75	B-3	Earnings indicate dividends of considerably more than 25 cents quarterly.
Clark Equipment	1.82	0.66	3.14	44¾	32¼	47	0.80	B-3	Latest earnings show sharp jump. Payments of more than 40 cents quarterly expected.
Cleveland Graphic Bronze	3.85	2.11	NF	46¾	35	45	1.00	B-2	Earnings for the first half of this year should be sharply higher than last.
Collins & Aikman	8.15a	1.96b	2.09b	62¾	47½	56	3.00	B-3	A $2-extra paid in June. Further extras likely.
Eaton Manufacturing	3.43	1.92	2.45	37½	29½	35	1.75	B-3	Profit in the June quarter at an all-time peak. Dividend just raised from 50 cents to 75 cents.
Electric Auto-Lite	3.50	1.86	2.00E	45½	34¾	38	1.40	B-3	Latest dividend 80 cents, against 60 cents previously.
Firestone Tire & Rubber	3.28c	0.70d	1.23d	41⅜	30	34	1.50	B-2	Sharp improvement in earnings should find reflection in payments to stockholders.
Goodrich, B. F.	4.03	1.47	NF	50½	31	40	0.50	B-2	50 cents paid in June. Previous disbursement was $1 special at the close of last year.
*Goodyear Tire & Rubber	3.90	0.62	NF	47⅜	27¾	42	1.00	B-2	Expected to report greatly improved earnings for the first half of 1937. See page 545.
Houdaille Hershey "B"	2.25	1.78	1.81	27⅞	18	23	0.75	B-3	Higher costs hold back improvement in earnings.
Kelsey Hayes Wheel "B"	1.91	1.79	1.42	19½	9½	13	None	B-2	Paid $1.50 at the end of last year: nothing since.
Marlin Rockwell	4.81	1.71	NF	51¾	39	44	1.00	B-2	Currently paying 50 cents quarterly: more anticipated.
Midland Steel Products	5.47	2.55	3.30	48½	33⅞	42	1.50	B-3	Earnings cover quarterly dividend of 50 cents by wide margin.
Motor Products	3.51	2.06	3.72	38½	27⅜	35	1.50	B-3	$1 paid in June against 50 cents in previous quarter. Merger with Briggs abandoned.
Motor Wheel	2.12	1.19	1.40E	26	17½	21	0.80	B-3	Regular quarterly dividend of 40 cents a share seems well assured.

Position of Leading Motor Accessory Stocks—(Cont.)

Company	Earned Per Share 1936	1st 6 mos. 1936	1st 6 mos. 1937	Price Range 1937 High	Low	Recent Price	Divs. Decl'd 1937	Market Rating	COMMENT
Murray Corp. of America	0.98	1.21	0.90E	20¾	10⅛	13	None	B-3	Will probably take dividend action at the year-end.
Raybestos-Manhattan	2.66	1.55	NF	37¼	29	34	0.75	B-3	More than 37½ cents quarterly expected.
Reynolds Spring	2.11	1.45	NF	34¼	16½	20	0.50	B-3	Paying 25 cents quarterly. May well pay more.
Spicer Manufacturing	4.26	NF	2.05	34⅛	26½	32	None	B-3	Likely to pay a substantial lump-sum dividend before the end as was done in 1936.
Stewart Warner	1.70	0.84	1.24	21	17	18	0.50	B-3	Earnings would seem to warrant larger dividend.
Thermoid	0.30	0.17	0.40	13⅛	7¾	9	None	B-3	Probably will improve financial position before declaring dividends.
Thompson Products	2.58	1.93	2.10E	28⅞	23	27	0.90	B-3	Dividend raised in July to 50 cents against 40 cents previously.
Timken-Detroit Axle	2.03	0.84	NF	28⅞	17¾	24	None	B-3	In June dividend was postponed with a view to conserving cash.
★Timken Roller Bearing	3.84	1.91	2.81	79	55	64	2.50	B-2	A dividend considerably larger than 75 cents quarterly may be expected.
★U. S. Rubber	3.31	Nil	1.23	72⅜	44¼	60	None	B-2	Steady improvement is continuing. See page 546.
Young Spring & Wire	4.65	2.85	2.94	46⅝	35⅞	40	1.50	B-3	Some falling off in earning power is normal in the third quarter. However, may well pay more than 75 cents quarterly.

★—In our opinion, the more attractive profit opportunities. E—Estimated. NF—Not available. a—Year to Feb. 27, 1937. b—Quarter to end of May. c—Year to Oct. 31. d—6 mos. to April 30.

Mixed Trends Indicated in Prospect for Food Companies

Everybody eats food every day and a host of concerns, large and small, are in the business of processing and marketing materials for the human stomach. Except in this generality, the various major divisions of the food business differ greatly in their economic characteristics and in the circumstances affecting volume and profits at any given time. To say that the outlook for the food business is moderately good is probably true, but means little to the individual investor or speculator. Each branch of the business must be examined on its own, and within each branch companies will vary in position and outlook.

In baking, including packaged biscuits, higher costs of labor and raw materials have been serious handicaps, in addition to the usual intense competition. Against the 1 cent advance in price of bread made several months ago, low-cost inventories of raw materials have run off. On current purchase, materials are substantially higher than a year ago, but some, notably flour, may work moderately lower later in the year. Increased public purchasing power should make for favorable volume, especially in optional baked goods such as cakes and fancy biscuits. There appears to be an even chance that earnings of most companies in these fields will moderately better the none too good showing of the first half of the year.

Higher costs and sharp competition likewise are operative in packaged foods, but here again generalization is of doubtful value. For example, Beech Nut, although both a baker and packaged foods enterprise, has demonstrated advantages peculiar to itself; while in the case of General Foods, outlook for its "Frosted Foods" division appears more promising than that of older divisions. There appears little probability of radical change in the relatively stable earnings position of the leading flour millers; and prospect of lower corn prices for the rest of the year probably will not materially help earnings of the corn refiners much before the first quarter of next year.

The meat packing companies do not issue interim reports. All operate on a close margin of profit. Changing value of inventories is a chronic problem. Earnings performance of most in this industry has been somewhat erratic, even in relatively good times. For all of these reasons, equities of meat packing concerns lack investment merit; and even from a speculative viewpoint must be regarded as "tricky," in the sense that they are hard to figure and harder to forecast. Such information as is currently available appears to indicate that the earnings of the large and diversified companies thus far this year have been running substantially higher than a year ago, and within the industry predictions are not uncommon that profits for the fiscal year ending October 30 will generally better those of the preceding year. Fertilizers and other by-products are unquestionably making a good showing. In meats, the race is between increased volume—supported by enlarged consumer purchasing power—and a reduced unit margin of profit resulting from higher costs of inventories and labor, the latter, however, being a small factor.

In recent years stocks of the nationally known dairy products companies have been consistently appraised on a rather generous yield basis. This is partly due to relative stability of sales trends, connoting absence both of prospect for dynamic growth and such "prince and pauper" swings as lend speculative interest to securities in various other fields. That is not the whole explanation, however, for this industry is not without its troubles. Fluid milk, constituting bulk of gross revenues, has come increasingly under public regulation,

much as a utility; profit margin on it is very small and has been subject to periodic upsets as a result of chaotic price competition among independent retailers. On the other hand, milk by-products and non-milk products—estimated to provide from 15 to 20 per cent of sales—are benefiting substantially from recovery in public purchasing power. Dairy companies showed considerable percentage gains in net last year, although remaining far below pre-depression levels. This trend, due to higher costs, has not been maintained. In fact, it will require an improvement over estimated results for the first half-year to produce 1937 earnings about on a par with 1936.

Further Gain Forecast in Tobacco Consumption

Recent figures show sales of cigarettes running around 9 per cent above a year ago—which means new all time high—and gains of 11 per cent in consumption of cigars. Price of cigarettes was raised last February from $5.38 per thousand to $5.513 per thousand. That increase is believed to have offset higher costs of inventory of raw tobacco on which the industry is now operating. If so, it is likely that earnings of most units in this field will better the showing made in 1936.

The most important variables in tobacco company profits are cost of leaf tobacco, cigarette prices and advertising expenditures. Since leaf tobacco is stored for aging and inventories are averaged, full impact of higher inventory costs probably has not yet been felt, but under present improving status of consumer buying power some further increase in cigarette prices, if necessary, could no doubt be effected. For the longer term, the much larger tobacco crop now in prospect will work in the opposite direction, ultimately reducing inventory costs. On the whole, the generous yield now offered by the better tobacco stocks appears not without considerable attraction.

Position of Leading Food Stocks

Company	Earned Per Share 1936	Earned Per Share 1st 6 mos. 1936	Earned Per Share 1st 6 mos. 1937	Price Range 1937 High	Price Range 1937 Low	Recent Price	Divs. Decl'd 1937	Market Rating	COMMENT
Armour & Co.	0.76(a)	N. I.	0.80(b)	13¾	7	12	0.55	B-2	May earn $1.75 a share this year. Further dividends probable.
Beatrice Creamery	2.49(c)	1.19(d)	3.04(d)	28¾	21½	24	1.25	B-3	Current earnings trend forecasts larger dividend. Outlook fair.
Beech-Nut Packing	6.19	2.34	2.77	114¾	105	112	3.75	B-2	Dividends may exceed $5 a share this year. Past record excellent.
Borden	1.80	N. I.	N. I.	28	21½	25	1.20	B-3	Outlook fair and dividends reasonably secure.
California Packing	4.92(c)	N. I.	N. I.	48¼	35¼	36	*1.12½	B-2	Outlook favors sustained earnings. Dividends of at least $2 indicated.
Continental Baking "A"	1.01	3.41(P)	3.67(P)	37¾	18⅛	24	None	B-2	Preferred accumulations of $14 a share preclude early action on "A" dividends.
Corn Products Ref.	3.86	1.77	1.37	71¼	54⅞	66	2.25	B-3	Lower earnings trend may continue in last half but strong finances insure dividend rate.
Cream of Wheat	2.33	0.96	0.97	37	28⅞	29	1.50	B-3	Sustained earnings probable and company could pay out bulk of profits in dividends.
Cudahy Packing	2.65	N. I.	N. I.	43	37⅞	38	1.87½	B-2	Current earnings likely to compare favorably with '36. No change in dividends.
General Baking	1.20	0.44	0.14	19½	10¾	12	0.30	B-3	Higher costs cut profits. Later results may show improvement.
General Foods	2.71	1.30	1.31	44¼	36	37	1.50	B-3	May pay $2.25 in divs. this year. Earnings likely to remain stable.
General Mills	3.40(d)	—	4.46(d)	65⅞	60	62	2.25	B-3	No marked gain in earnings in sight. Could pay $4.
Hershey Chocolate	3.50	1.59	1.79	67¾	58	58	2.25	B-2	Current dividends should be on a par at least with $3.60 paid in '36.
Loose-Wiles Biscuit	2.16	1.23	0.63	43¼	28¼	29	1.50	B-3	Adverse earnings trend casts some doubt on dividend prospects, and payments may be lowered.
Libby, McNeill & Libby	1.74(c)	N. I.	N. I.	15⅜	9¾	12	None	B-3	Paid $1 last year and will doubtless make another payment before year-end.
Morrell, John	1.60(a)	N. I.	N. I.	46	31	34	1.20	B-4	Divs. recently omitted due to inadequate inventories. Early resumption unlikely.
National Biscuit	1.73	0.81	0.72	33⅜	22¾	23	1.20	B-3	Dividend outlook obscured by persistent failure of earnings to gain appreciably.
National Dairy	2.01	0.89	0.75	26⅛	18⅛	20	0.60	B-3	Based on earnings prospect, dividends not likely to exceed $1.50, the same as paid in '36.
Pac.-Amer. Fisheries	1.71(c)	N. I.	N. I.	23	17	18	1.85	B-2	Higher meat prices may favor demand for company's products. Divs. not likely to exceed $2.15 this year.
Penick & Ford	3.52	1.87	0.10	64	38⅛	46	1.00	B-3	High cost and unfavorable prices account for sharp earnings decline. Divs. cut and future policy uncertain.
Pillsbury Flour	1.65(d)	....	2.76(d)	33⅜	28⅜	31	1.20	B-3	Earnings gain would warrant a somewhat higher dividend.
Purity Bakeries	0.89	0.09(e)	0.30(e)	23¾	13¾	14	0.45	B-2	Earnings show modest improvement. Div. prospects speculative.
Standard Brands	1.13	0.57	0.55E	16¼	11¾	12	0.60	B-3	Narrowing profit margins restrict earnings gain. Dividends not likely to exceed $1.
Stokely Bros.	1.93(d)	N. I.	N. I.	17½	14	15	0.95	B-3	Absence of late statements preclude div. forecast. Outlook continues fair.
Snider Packing	2.68(f)	N. I.	N. I.	29¾	19½	21	1.50	B-2	Current earnings favored by better weather conditions. May pay another interim dividend.
Swift & Co.	2.05(a)	N. I.	N. I.	28⅝	21¾	24	0.60	B-2	Current outlook improved and company may pay an extra dividend.
United Biscuit	2.39	1.20	1.04	30¼	22¼	23	1.20	B-3	Competition and higher costs reflected in late earnings. No change in dividends likely.
Ward Baking "A"	0.56	3.29(P)	2.11(P)	50⅜	24	26	None	B-3	Heavy accumulations on preferred shares obscure div. prospects for "A" stock.
Wesson Oil & Snowdrift	4.40(g)	2.14(h)	4.84(h)	56	43½	45	2.62½	B-2	Earnings gain appreciably and further extras probable.
Wilson & Co.	1.06(a)	N. I.	N. I.	12¼	8½	10	0.37½	B-3	Dividend policy likely to depend on meat supplies. No immediate change indicated.

E—Estimated. (a)—Year to Oct. 31. (b)—6 mos. to April 30. N. I.—Interim Reports not Issued. (c)—Fiscal year ended Feb. 28, '37. (d)—12 mos. to May 31. (e)—1st 28 weeks. (f)—Year ended Mar. 31, '37. (g)—Year ended Aug. 31. (h)—9 mos. to May 31. *—Plus stock. (P)—Earned on preferred shares.

Position of Leading Tobacco Stocks

Company	Earned Per Share 1936	Earned Per Share 1st 6 mos. 1936	Earned Per Share 1st 6 mos. 1937	Price Range 1937 High	Price Range 1937 Low	Recent Price	Divs. Decl'd 1937	Market Rating	COMMENT
American Snuff	3.31	N. I.	N. I.	67½	52¼	57	3.00	B-3	Prospects continue to favor stable earnings. Modest year-end extra likely.
American Tobacco "B"	3.70	N. I.	N. I.	99⅞	74⅛	83	3.75	B-2	Sales and profits believed to be improving. Dividend likely to continue at $5 rate.
General Cigar	3.07	0.94	0.63	52¼	34½	35½	2.00	B-3	Heavy outlays for advertising cut net. Present $4 dividend cannot be considered safe.
Helme, G. W.	6.82	N. I.	N. I.	126	99⅞	102	5.75	B-3	Earnings likely to hold near '36 level. May pay another $2 extra early next year.
Liggett & Myers "B"	7.25	N. I.	N. I.	114	94¼	101	3.00	B-3	Little, if any, gain in earnings forecast for this year. May pay total dividends of $7.
Lorillard, P.	1.51	N. I.	N. I.	28⅝	20	22	0.60	B-2	Sales have gained this year and divs. should equal $1.80 paid in '36.
★Philip Morris	6.88(a)	N. I.	N. I.	95¼	70	93	3.75	B-2	Another substantial gain in sales and earnings forecast for this year. Larger divs. probable.
Reynolds Tobacco "B"	2.92	N. I.	N. I.	58	49	53	2.25	B-3	Further gain in sales likely. May cover $3 dividend in full this year.
U. S. Tobacco	8.89	N. I.	N. I.	136	120	130	3.75	B-3	Extras last year totaled $3.75 and are likely to be equally generous this year.

N. I.—Interim Reports not Issued. (a)—Year ended Mar. 31, '37. ★—In our opinion the more attractive profit opportunities.

Outlook Favors Liquor Companies

For some months the threat of excessive whisky supplies growing out of the sustained high level of production has been the most disturbing factor in the prospect for leading distillers. It is therefore distinctly encouraging to note the recent sharp drop in whisky production. Output of whisky in June was 29 per cent below that for June, 1936, and 2,000,000 gallons less than in May of this year. With production showing successive declines since last March total production in the first six months of this year was 17 per cent less than in the same period of 1936. Commenting on the June decline, Government officials remarked that curtailed production was "long overdue" and predicted a "real decline" before the end of the summer. Consumption, meanwhile, as measured by withdrawals from warehouses has gained for five successive months and for the first half of this year was moderately ahead of last year, notwithstanding a sharp slump in January.

At the end of June, total stocks of whisky amounted to some 445,000,000 gallons, as compared with average stocks of 245,000,000 gallons in the pre-prohibition period 1910-1917. It is significant, however, that less than 10 per cent of present supplies are older than two years. About 25 per cent is between one and two years old, while about two-thirds of the total is less than one year old. Next year all straight whisky offered for sale must be at least two years old. Thus, with only a comparatively small portion of present supplies available for sale as straight whisky, the need of building up large stocks of aging whisky prior to January 1, 1938, is quite apparent.

As is doubtless well known by this time, the latter factor has also been responsible in shaping the dividend policies of leading distillers and payments have been meager in relation to earnings, a large portion of which were, and still are, tied up in inventories of aging whisky. From this point on, however, there may be some easing in this phase of the situation and if the hopeful implications of curtailed production are realized, the entire industry will be on a much sounder basis, leaving only such less vexing problems as bootlegging, mounting imports, and public relations to contend with.

Position of Leading Liquor Stocks

Company	Earned Per Share 1936	Earned Per Share 1st 6 mos. 1936	Earned Per Share 1st 6 mos. 1937	Price Range 1937 High	Price Range 1937 Low	Recent Price	Divs. Decl'd 1937	Market Rating	COMMENT
Distillers Corp.-Seagrams	2.41(a)	....	3.24(b)	29	20¼	22½	None	B-3	Sales gain but profits lower. Dividend resumption problematical.
National Distillers	3.80	1.35	1.37	35	27½	30	1.50	B-3	Moderate gain in current earnings suggests likelihood of another extra dividend later this year.
Schenley Distillers	7.05	2.52	2.32	51¾	38⅝	42	1.50	B-3	Larger number of shares outstanding prevent reflection of current gain in profits. Extra dividend probable.
★Hiram Walker	6.57(d)	5.02(c)	6.69(c)	51⅝	42½	49	1.50	B-2	May earn $9 in current fiscal year. Could pay a higher dividend.

(a)—Year ended July 31. (b)—9 mos. to April 30, after allowing six months' dividends on new 5% preferred stock. (c)—9 mos. to May 31. (d)—Year ended Aug. 31. ★—In our opinion the more attractive profit opportunities.

Sugar Companies In Uncertain Position

Confronted with the failure of Congress thus far to enact legislation to meet the expiration of the Jones-Costigan Act on December 31, next, it is practically impossible to evaluate accurately the outlook for the various divisions of the sugar industry. Inability of Congressional and Administration interests to agree on the provisions of new legislation has been responsible for the delay and as this is written both sides remain deadlocked. It appears fairly certain, however, that a compromise will be reached before Congress adjourns. If not and the Jones-Costigan Act is allowed to expire, the prospect for both producers and refiners will be a highly uncertain one.

Although the primary purpose of sugar legislation has been to protect domestic beet and cane producers against excessive imports, and to all appearances proposed legislation was acceptable to all producing interests, the principal bone of contention has been between domestic refiners seeking to restrict shipments of refined sugar from Hawaii, Puerto Rico and Virgin Islands, and the Administration which has taken the stand that no discrimination should be made against our insular possessions. Convincing arguments have been put forth by both sides, with domestic refiners however, having a shade more weight in their favor. They contend that insular growers have the full benefit of the tariff protection of 1.87½ cents a pound, and Cuba has a preferential of .90 cents a pound; insular interests are primarily producers; refiners will receive no part of the bounty which it is proposed to pay domestic producers; and under the quota system now in effect and which it is sought to extend, the refiners plead that the market is not freely competitive and to further increase shipments of refined sugar from insular possessions would place domestic refiners at an unfair disadvantage.

On the other side of the argument, the Administration deplores the erection of trade barriers against insular possessions and takes the stand that the demands of domestic refiners are out of all proportion to the economic importance of the industry.

The attitude of the Administration is in keeping with its liberal foreign trade policy but it certainly doesn't jibe with its policy of subsidizing domestic growers with a proposed bounty of ½ or ¾ of a cent raised by an excise tax, while taking the stand that domestic refiners must either stand or fall in unrestrained competition. Probably the answer is to be found in the political power which the beet sugar interests are apparently able to command. The enactment of legislation providing for the imposition of an excise tax would raise no little doubt as to the ability of refiners to absorb it and prospects for the latter group will depend on increased consumption as there appears little likelihood of any increase in the spread between raw and refined prices. The same conditions will affect beet producers, who also, however, are subject to growing conditions which thus far have been favorable. Producers of raw sugar have slight prospect of higher prices, and an excise tax on refined sugar might depress raw prices. Quotas will also be a factor in producers' earnings.

In the face of these complications and uncertainties, the earnings outlook for both sugar producers and refiners is extremely uncertain, a prospect which does not seem likely to be appreciably altered by any legislation now before Congress. By the same token, dividend prospects are definitely speculative.

Position of Leading Sugar Stocks

Company	Earned Per Share 1936	Earned Per Share 1st 6 mos. 1936	Earned Per Share 1st 6 mos. 1937	Price Range 1937 High	Price Range 1937 Low	Recent Price	Divs. Decl'd 1937	Market Rating	COMMENT
American Crystal Sugar	1.44(a)	....	3.80(a)	33⅝	25	26	2.75	B-3	Large producer of beet sugar. Exise tax may cut profit margins but general outlook fair.
American Sugar Refining	2.67	N. I.	N. I.	56⅞	37	43	1.50	B-3	Safety of $2 dividend depends on ability to enlarge sales in face of possible reduction in profit margin.
Central Aguirre Associates	3.42(b)	N. I.	N. I.	39¼	30	31	1.62½	B-3	Earnings estimated at about $3.60 for current fiscal year. Liberal dividend policy likely.
Cuban American Sugar	0.65	N. I.	N. I.	14⅜	7¾	9	None	B-3	Earnings may show 75 cents for common in current fiscal year. Large preferred accumulations make junior dividends remote.
Fajardo Sugar	7.12(b)	N. I.	N. I.	70	45½	50	2.00	B-3	May have earned about $8 a share in current fiscal year. Some doubt as to ability to maintain same level of earnnings.
Great Western Sugar	2.48(d)	....	3.53(d)	42¼	34	35	3.10	B-3	Low cost beet producer. Immediate prospects do not favor any material gain in earnings.
Holly Sugar	5.02(a)	....	5.42(a)	43½	29¼	32	2.25	B-3	Latest div. enjoined pending court interpretation of legality under company's charter. Outlook fair.
National Sugar Refining	2.52	N. I.	N. I.	28	23	23	1.50	B-3	Current earnings should cover $2 div. Outlook indeterminate.
South Porto Rico Sugar	3.00(c)	N. I.	N. I.	42½	32½	35	1.50	B-3	Low cost producer. Current earnings likely to equal 1936 results. Divs. reasonably safe.

(a)—Year ended Mar. 31. (b)—Year ended July 31. (c)—Year ended Sept. 30. (d)—Year ended Feb. 28. N. I.—Interim reports not issued.

Movies Have Good Outlook for Fall

DESPITE a modest decline in theatre attendance as the motion picture industry entered the summer season, box office receipts held to a higher level during the past six months than during the same period of 1936 and the earnings of the leading companies have reflected this improvement. Because of the wide use of air-conditioning and cooling equipment, the seasonal slump of motion picture theatre attendance is much less marked than it used to be during the hot weather months. Producers have also offered a better average quality of picture entertainment, than they usually release at this time of year. Consequently, while the "summer season" is still associated in the minds of many security buyers as a poor period for motion picture concerns, the fact is that the seasonal variation in earnings is considerably less marked than it was in past years. Interim statements available so far this year, therefore, reflect only a moderate let-down in earnings from the earlier part of the year and, on the whole, indicate a continued uptrend of earnings in comparison with the first half of 1936.

During the late spring and early summer, operating costs increased somewhat in both the theatre operating division and in the film production division, wages being the principal item to expand such costs. Since the increase in box office receipts and film rentals were sufficient to more than offset higher costs, the industry as a whole has displayed no indication to economize. As yet, no serious effort has been made to reduce film production costs or to eliminate waste and duplication in the film distribution and exhibition branch of the industry. The "evil" of double-billing is still well-entrenched with theatre operators, for example, and the use of non-theatrical attractions is almost as widespread at present as it was during the depression. The double-billing practice has substantially increased the film requirements of exhibitors and consequently creates a ready market for productions of mediocre entertainment value. In the long run, however, the extra cost of producing from 500 to 600 feature films per season must be absorbed from receipts and from the industry's capital returns.

Outlook for the balance of the year is distinctly encouraging from several aspects. Increasing employment in urban centers and the present trend toward higher wages and shorter work hours should aid theatre attendance to an important degree. Likewise, the higher average quality of film productions scheduled for late summer and fall release should prove to be an important factor in sustaining public interest in picture entertainment. With increased public spending power in prospect, the effort of certain factions in the industry to advance box office prices has greater chance of success than has been evident in the past two seasons. Considering the fact that the present annual box office "take" comes in the form of average admission prices of less than 25 cents, it is evident that any small general increase in admissions would have a profound effect upon receipts and profits of the leading units in the industry.

Position of Leading Motion Picture Stocks

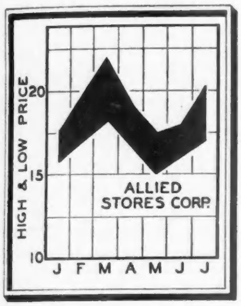
Company	Earned Per Share 1936	1st 6 mos. 1936	1st 6 mos. 1937	Price Range 1937 High	Low	Recent Price	Divs. Decl'd 1937	Market Rating	COMMENT
Columbia Pictures	†4.96	*2.71	*3.27	39½	28½	41	‡1.50	A-2	About $5 earnings in 1937 fiscal year indicated but extra unlikely this year.
Consolidated Film	0.23	0.16	Nil	5¾	2½	3	None	A-3	Increased costs narrow earnings.
General Theatres Equip	**1.80	....	1.13	33¾	20¼	23	0.50	A-2	May earn $2.50 this year; larger dividend likely.
★Loew's	††6.73	††4.48	††7.07	84½	64½	85	6.00	A-1	Liberal income anticipated on earnings of $9 to $9.50 for fiscal year.
★Paramount	1.18	d1.43	1.13	28¾	16⅝	22	None	A-2	May initiate div. on common before end of year.
Radio-Keith-Orpheum	0.51	....	0.80E	10⅛	6⅞	8½	None	A-2	Completion of reorganization would improve outlook. Early payments unlikely.
Technicolor	0.65	....	....	31	18⅝	28	0.50	A-2	May earn over $1.50 this year; year end payment probable.
★Twentieth Century-Fox	3.77	1.43	1.76	40⅞	30¾	36	1.00	A-1	Expect larger dividends this year than the $2 paid in 1936.
★Warner Brothers	††0.75	††0.60	††1.42	18	11⅛	14	None	A-2	Outlook favorable for further gain in earnings; dividend outlook uncertain.

†—12 months ended June 30. *—9 months ended March 27. ‡—Plus 5% stock dividend. **—7 months ended Dec. 31, 1936. E—Estimated. ††—Fiscal year ends Aug. 1; interim earnings are for 9 months ended about June 2. ★—In our opinion, the more attractive profit opportunities.

Opportunities in Stocks for Income and Price Appreciation

Selected by THE MAGAZINE OF WALL STREET STAFF

Allied Stores Corp.



Allied Stores Corp. operates a department store system which, with the recent acquisition of the C. K. Anderson Co. chain of twenty stores, comprises fifty-three units, located throughout the United States, with the greatest concentration in the Middle and Far West. It is the policy of the company to operate each store as a single unit and not as a chain, although it is to be assumed that all the stores share the advantages of concentrated purchasing power and managerial direction.

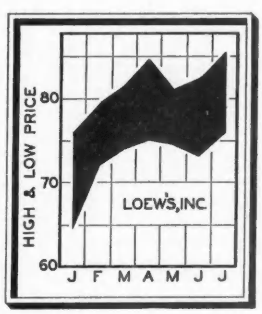
The company's system was conceived in 1928 under the name of Hahn Department Stores, Inc. As a result, the company had but scant opportunity to coordinate its activities and develop earning power before the untimely advent of the depression. Restricted earning power proved insufficient to support an unseasoned capitalization, dividends on the 6½% preferred stock were omitted in 1932 and dividend accumulations on the latter issue mounted steadily until they totalled $22.50 a share early in 1935. By that time, however, the company was well on its way toward recovery and with the evidence of increased efficiency and important operating economies effected during the depression years, was able to eliminate preferred accumulations by means of a recapitalization plan. This plan cleared away all dividends and sinking fund arrears and future dividend and sinking fund requirements were reduced. The old 6½% preferred was replaced by a new 5% issue on a share-for-share basis. As a special dividend, each holder of $100 par of the new preferred stock received $15 in new 4½% debentures, two shares of common stock and $3 in cash.

Sales, which increased nearly $8,000,000 in the 1935 fiscal year, recorded a more substantial gain in the 1936 fiscal period and the total of $103,343,588 for the year ended January 31, 1937, compared with $89,935,583 in the previous fiscal period. A gain of nearly 15% in net sales for the 1936 fiscal year resulted in an increase of more than 100% in profits, net of $3,406,448 having been equivalent to $1.32 a share on the common stock, as compared with $1,581,759, or 30 cents a share, in the previous year. The most recent statement of earnings covers the twelve months ended April 30, last, in which period profits totalled $4,320,912, as compared with $2,264,221 for the corresponding months of 1936. Stockholders were given tangible evidence of improved earnings by payment of a dividend on the common stock earlier this year, in the form of 20 cents in cash and 1/100 of a share of 5% preferred stock.

The company's long term indebtedness totalled $19,139,716 at the close of the last fiscal year. There are 235,101 shares of 5% preferred stock and 1,778,153 shares of common stock outstanding. Financial position was comfortable and as of January 31, last, current assets, including over $2,700,000 in cash and marketable securities, amounted to $34,632,638, while current liabilities were $7,848,826.

With a very substantial number of its stores located in the important industrial and agricultural centers, the effectiveness of enlarged farm purchasing power and factory pay-rolls should be apparent in both sales and profits this year. Earnings on the common stock may amount to as much as $2.00 or better per share. On the basis of this prospect, another dividend is likely to be paid, and the shares, at recent levels of around 20, may be rated as a promising speculative opportunity.

Loew's, Inc.



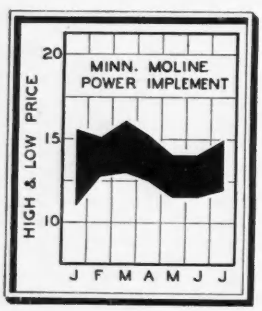
Both in good times and bad, Loew's, Inc. has been the most profitable of the leading motion picture producers. With the entire motion picture industry favored by greatly improved conditions, both internal and general, Loew's still stands head and shoulders earningswise above any of its competitors. This year, for the forty weeks ended June 3rd, net profits totalled $11,714,722, equal to $7.07 a share on the common stock, comparing with $7,390,495, or the equivalent of $4.47 a

share on the common in the corresponding period of 1936. On the basis of this showing it is a safe prediction that earnings for the fiscal year ended August 31st will be in the neighborhood of $9.00 a share, the largest since 1930, when net profits were equal to $9.65 per share for the common. The recent declaration of a $3 dividend brings the total paid this year to $8.50.

As a matter of fact, it would not be surprising if earnings in the final quarter of the current fiscal year were even better than $2.00 a share. With attendance at motion picture theatres stimulated during the Summer months by the installation of air-conditioning equipment, Loew's no longer follows its previous policy of issuing no important releases during the hot months. This year the company, therefore, will not only have the benefit of several feature releases but increased attendance at its own theatres as well. The company's chain of theatres aggregates about 80 units, all of which are modern and located in the larger cities and towns. While increased public purchasing power has been a vital factor in enlarging current earnings, the company's adherence to its policy of producing quality rather than quantity features continues to be the most dominant factor in supporting the record of sustained earning power.

Although motion picture producing costs have risen substantially over the past year, it is not believed likely that this condition will prove a serious detriment to profits in the months ahead. Attendance at motion picture theatres has increased steadily and is likely to continue to do so in response to larger pay-rolls. It is also probable that the average level of admission prices can be increased moderately, and operating economies effected by the elimination of such features as "bank night" and premiums. If such proves to be the case, the ability of producing units to increase rentals sufficiently to absorb higher costs would be strengthened accordingly.

Judged by any reasonable standard, the shares of Loew's, Inc., currently quoted around 85, are reasonably appraised on the basis of earnings and with the company's finances more than adequate to enable it to pursue a generous dividend policy, endorsement of the shares both for income and price appreciation would appear to be well founded.

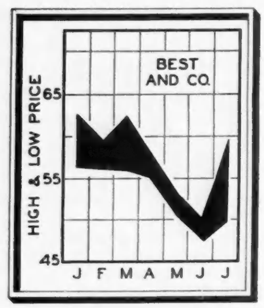


Minneapolis-Moline Power Implement Co.

Activities of Minneapolis-Moline Power Implement Co. embrace the manufacture of a diversified line of agricultural implements and tractors, as well as structural steel products and industrial motors. Responding to successive gains in farm purchasing power, net income rose to $1,230,074 last year, compared with $476,592 in 1935 and a loss of $613,000 in 1934.

Although there are only 98,700 shares of $6.50 preferred stock ahead of the common, the severity of the depression decline in the company's earnings compelled the omission of preferred dividends. Last year the company made a payment of $3 against accumulations but unpaid arrears amounted to $36 as of May 15, last. It has been officially stated by the company's management, apparently in anticipation that depleted working capital would be restored to a more adequate figure, that a plan for discharging back preferred dividends would be formulated some time late this year. Current assets at the end of 1936, including $992,587 cash, amounted to $10,958,420, while current liabilities were $1,221,007. During 1936 all bank indebtedness was liquidated.

Although the company does not publish interim reports it has been estimated that sales will run at least 40% ahead of last year and for the full current year may approximate $16,500,000. In view of the fact that present probabilities are that farm-income this year will total more than $8,500,000,000, the largest since 1929, these estimates for Minneapolis-Moline Power Implement Co. do not appear excessively optimistic. Per-share earnings on the common stock may record an even more sizable gain and amount to upwards of 50 cents a share. As a low priced vehicle, representing one of the most favorably situated industrial groups at this time, Minneapolis-Moline Power common shares, at 14, may well prove a profitable speculative venture.



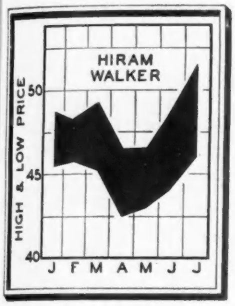
Best & Co.

Among leading merchandising organizations, the record of Best & Co. in recent years has been an outstanding one. The company's principal store, located in the heart of the shopping district on Fifth Avenue in New York City, specializes in women's and children's wearing apparel, costume accessories and various complementary novelties. In addition to the main store, the company operates small branch units in selected suburban communities and populous resorts. Notwithstanding the fact that merchandise is sold on a quality, rather than price, basis, sales even at the depths of the depression exceeded $11,000,000 and operations in every year have shown a profit. Although profits declined during the depression years, the company did not "go into the red" and stockholders received a dividend each year.

In the face of the company's record, it is apparent that Best & Co. has not had to cope seriously with the more vexing problems which have confronted the larger department stores in recent years. The company is favored by a larger profit margin and more rapid turnover of inventory than is the experience of the average large department store. Best & Co. is further favored by a modest capitalization.

The company's only outstanding debt consists of a $800,000 mortgage bearing interest at 4%. Only 2,466 shares of $6 preferred stock are outstanding, while common stock totals only 300,000 shares. For the fiscal year ended January 31, last, net profit of $1,281,460 was equivalent after preferred dividends to $4.21 a share on the common stock. In the preceding fiscal year, net was

equal to $3.73 for the common. Although current operations are doubtless subject to higher costs, both inventory and operating, earlier this year it was officially stated that profit margins were being satisfactorily maintained. Moreover, the nature of the company's business is such that it could probably raise prices sufficiently to offset increased costs, without incurring the risk of consumer resistance. All in all, therefore, Best & Co. should be an outstanding beneficiary in the improved retail trade prospects for the Fall months, with the promise that current earnings will be of record proportions. Dividends on the common stock are being paid at the rate of $2.50 annually and early this year an extra of 50 cents was paid. An increase in the basic dividend or a larger extra at the year-end appears to be a reasonable expectation, and the shares at 60 present an attractive investment opportunity.



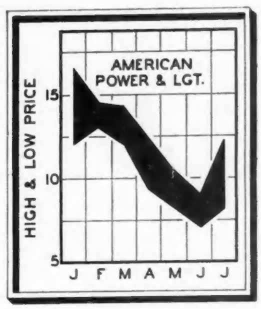
Hiram-Walker-Gooderham & Worts, Ltd.

One of the larger units identified both with the Canadian and domestic liquor industries, the operating record of Hiram-Walker-Gooderham & Worts, Ltd., has been more consistently favorable than that of its leading competitors. To what extent the company's operating and merchandising policies may be credited with its achievement is not known, but the more obvious facts are that the company has an exceptionally well diversified list of products, including Canadian, domestic and Scotch whiskies, gins, brandies and cordials, among which are a number of brands of outstanding consumer popularity.

Reflecting the success of the company in the domestic market and the stimulus given to the sale of Canadian products in the United States by the 50% reduction in duty on such imports, the company's sales in the fiscal year ended August 31, 1936, reached a new high record of $54,729,000. In that year net income, after all charges, amounted to $4,796,120, equal after preferred dividends to $6.57 per share on 660,000 shares of common stock. In the 1935 fiscal period, the common stock earned $4.58 a share. The record of last year, however, appears certain to be surpassed this year. Operating profits for the nine months to May 31, last, increased over $2,000,000 and net available for the common, after preferred dividends, amounted to $4,841,619, or the equivalent of $6.69 a share on 724,004 common shares, contrasting with $5.02 a share on 660,000 shares of common stock in the corresponding period of 1936. On the basis of this showing, earnings for the complete fiscal period will probably be between $8 and $9 a share for the common, depending on the number of shares outstanding after giving effect to conversion operations.

For the purpose of refunding bank loans, the company early in 1936 issued $8,000,000 4¼% convertible debentures, of which $2,000,000 were called for retirement December 1, 1936. In addition, $537,000 of the debentures were presented for conversion and another block of $1,250,000 was retired on June 1, last. At the present time, the debentures are convertible into common at $55 a share, which price will remain in effect until there are less than $2,000,000 of the issue outstanding. At last reports the company showed a comfortable financial position and while a substantial portion of its current assets was in the form of inventories, cash amounted to about $2,300,000. Ahead of the common stock are 460,818 shares of preference stock, entitled to dividends of $1.00 annually.

Dividends are being paid on the common stock at the rate of 50 cents a share quarterly and recent reports are to the effect that the company has under consideration an increase in the rate to $1.00 quarterly. While the company is still compelled to tie up a substantial portion of its working capital in the form of inventories, the fact that American supplies of whisky are now close to the maximum of 32,000,000 gallons set by the company as sufficient for its requirements, may ultimately permit a more generous dividend policy. Potentially, therefore, the shares offer the inducement of an unusually liberal yield while from the speculative viewpoint, the approach of the Fall months bringing the most active season in the liquor industry, may conceivably be accompanied by profitable gains marketwise for the shares.



American Power & Light Co.

One of the larger public utility holding companies, American Power & Light Co. is an important unit in the Electric Bond & Share group. Operating subsidiaries are located in 14 states, extending from the Southeast diagonally across the United States to the Northwest. About 85% of consolidated revenues is derived from the sale of electricity, principal consuming outlets being particularly well diversified. Residential consumers account for nearly one-third of output, industrial and commercial sales 53.5%, while the balance is accounted for by sales to municipalities, farms, and other utilities.

Consolidated capitalization includes subsidiary and parent company funded debt of $361,755,000, subsidiaries' preferred stock totalling $111,612,000, at liquidating value, 793,581 shares of $6 preferred and 978,404 shares of $5 preferred. Common stock outstanding totals 3,013,812 shares. Capitalization can hardly be termed excessive in view of the fact that fixed charges were covered by a fair margin, despite the substantial shrinkage in revenues and net during the depression years. From the standpoint of the common stockholder, however, capital structure is top-heavy, imparting considerable leverage to common stock earnings. As a consequence, it requires only a comparatively small change in gross revenues to produce a very marked change in common stock earnings. This condition carries both favorable and unfavorable implications, depending upon the trend of revenues.

Consolidated gross revenues of American Power & Light have already substantially exceeded the 1929 level. Gross last year of *(Please turn to page 564)*

Worth More on Prospects

Heavy Freight Movement Looms for Early Autumn

BY H. F. TRAVIS

Northern Pacific Freight Giant, 125 feet long.

Convincing statistical evidence can be mustered in support of the forecast that the shares of Northern Pacific should some day be worth considerably more than the current market appraisal of 29. In fact the favorable elements in the more immediate outlook for Northern Pacific are also quite convincing and would doubtless be given more tangible recognition marketwise were it not for the presence of such unpredictable factors as the probable outcome of the railway wage demands, the I. C. C. decision with respect to increased freight rates and the size of the Fall crop movement. It seems hardly conceivable, however, that these factors will materialize in a manner wholly adverse either to the railroads as a whole, or Northern Pacific specifically. If such proves to be the case and once the answer to these questions is definitely known, the speculative probabilities are that Northern Pacific shares will be prominent among favored rail issues.

The Fall crop prospect is a particularly vital factor in the current outlook for Northern Pacific, more important in fact than might be supposed from the well diversified character of its traffic composition. Not only is the size of the movement of spring wheat over the lines of Northern Pacific of considerable consequence, but prices received by growers are equally important. The territory served by the road is predominantly agricultural and a good wheat crop at normal prices is certain to swell outbound grain shipments and also the inbound movement of manufactured goods and merchandise.

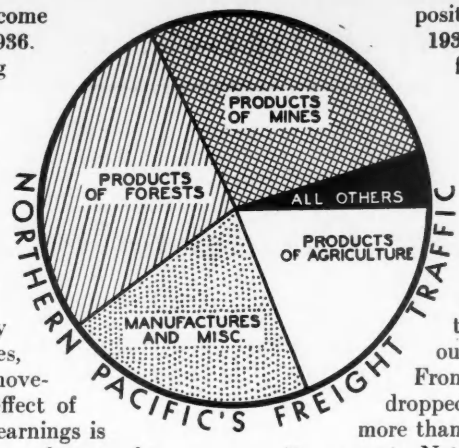
Based on the latest Government estimates the indicated yield of the spring wheat crop this year will be between 175,000,000 and 200,000,000 bushels. Growing conditions, while not of the best in Northern Pacific's territory have been more favorable than in the past two years and have recently improved somewhat. Unless the crop is damaged prior to harvesting, the prospects are that the road may move the largest volume of wheat shipments since 1933, when the spring wheat crop exceeded 178,000,000 bushels. Moreover, the Government has predicted that the 1936 wheat crop will be the most valuable in ten years.

It is to be conceded, of course, that there is a bare possibility that insufficient sub-soil moisture may inflict serious damage on Spring wheat, a fact which apparently is not being overlooked in the market appraisal of Northern Pacific. Last year drought damage did not occur until late in July. Meanwhile, however, other important traffic items of Northern Pacific have contributed increased revenues this year and should continue to do so.

Gross revenues in the first six months of this year totaled $30,399,579 as compared with $26,204,494 in the same months of 1936, an increase of 17 per cent. Net railway operating income this year amounted to $4,258,990, comparing with $1,454,822 in the first six months a year ago. As a result, the net loss after fixed charges was probably less than $2,500,000 as compared with the loss of $5,177,419 in the comparable period of 1936. In June earnings were credited with $1,042,107 in pension refunds, which accounted for the

bulk of the gain in net operating income shown for that month over June, 1936.

To the extent that the foregoing results are a considerable improvement over last year, they are noteworthy, but it should also be noted that Northern Pacific is subject to a pronounced seasonal factor and the first half of the year produces barely 45 per cent of total freight revenues. The months of August, September and October alone account for nearly one-third of annual freight revenues, reflecting the concentrated crop movement and farm purchasing. The effect of this seasonal traffic movement on earnings is considerable. Notwithstanding a loss of more than $5,000,000 after fixed charges in the first six months of last year, net income for the entire year was sufficient to cover charges in full and leave a balance of $1,817,000 for the stock. Admitting, of course, that results in the final six months last year had the benefit of a sizable amount of "other income" derived principally from dividends paid by the Burlington, nevertheless, the effectiveness of the seasonal factor will be more apparent from this point on until late Fall.



Lumber and various allied products, which formerly provided Northern Pacific with an important source of revenue, are again being shipped in increasingly larger quantities. Building recovery has shown a tendency to slow up somewhat in recent weeks but this condition is generally regarded as nothing more serious than a temporary lull in a sustained revival in construction. It appears therefore that the long decline in lumber shipments experienced by Northern Pacific during the past decade is at an end and should anything approaching a genuine building boom materialize, lumber traffic might well be restored to pre-depression levels when it accounted for about 40 per cent of total freight tonnage.

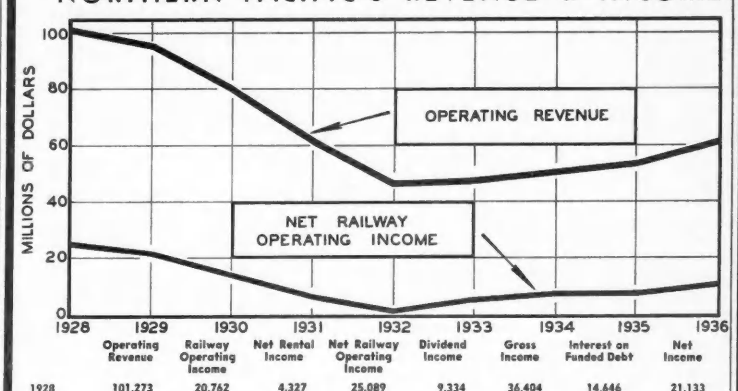
As to the Fall prospect for other important traffic items, it is safe to assume that the shipment of such commodities as fruits, vegetables, livestock, bituminous coal, petroleum products, and manufactured goods will continue to conform to the pace of general recovery in a fashion similar to the experience of the first six months. Forecasts of less-than-seasonal decline in Summer business followed by a vigorous resumption of the recovery movement in the Fall are almost unanimous, added to which Northern Pacific can probably count upon important benefits from the substantially enlarged purchasing power of agricultural communities in its territory. Shipment of materials for construction of the Grand Coulee dam on Columbia River should continue to make heavy contributions to freight traffic. Unquestionably, therefore, the road is in a position to make the best showing since 1931, even if liberal allowance is made for various contingencies, and if these contingencies do not eventuate or their force is alleviated, earnings of Northern Pacific might be surprisingly good.

By contrast with many other large roads, which came through the late depression years without the assistance of a receiver, the record of Northern Pacific during this period was in several respects outstanding.

From 1929 to 1932, operating revenues dropped from $96,522,000 to but slightly more than $47,000,000, a decline of more than 50 per cent. Net railway operating income dropped from $21,410,000 in 1929 to less than 10 per cent of that figure in 1932. Despite this drastic decline in revenues and income, Northern Pacific covered fixed charges in every year but one—1932. Even in that year 86 per cent of fixed charges were covered and the loss was less than $2,000,000.

In the face of the extreme low level to which income fell during the depression, Northern Pacific was able to weather this period without resorting to bank or R. F. C. loans chiefly because it was the recipient of large non-operating income. Moreover, at no time during these lean years did the credit for equipment rentals and joint facility hire fall below $3,000,000. Had it not been for the latter item which amounted to $3,040,000 in 1932, the road would have shown an operating deficit in that year. Non-operating income in 1932 totaled $10,604,000, derived principally from a dividend of $2,490,000 paid by the Burlington and $6,592,000 in regular and extra dividends (*Please turn to page 565*)

NORTHERN PACIFIC'S REVENUE & INCOME



	Operating Revenue	Railway Operating Income	Net Rental Income	Net Railway Operating Income	Dividend Income	Gross Income	Interest on Funded Debt	Net Income
1928	101,273	20,762	4,327	25,089	9,334	36,404	14,646	21,133
1929	96,522	16,739	4,671	21,410	12,834	36,895	14,569	21,808
1930	80,642	10,409	3,884	14,293	16,319	32,278	14,500	17,229
1931	62,312	3,403	3,399	6,801	14,424	23,654	14,392	8,902
1932	47,084	d1,050	3,040	1,990	9,119	12,594	14,264	d1,991
1933	47,579	2,678	3,298	5,976	7,502	14,869	14,241	304
1934	51,408	4,528	3,387	7,915	6,002	15,453	14,230	899
1935	53,846	4,450	3,276	7,726	5,472	14,960	14,231	432
1936	61,906	7,189	3,599	10,788	4,332	16,385	14,257	1,817
1937	30,400*			4,258*				

000 Omitted * First 6 months only. d Deficit.

Two Rubber Companies Compared

A Ratio Analysis

BY ROY M. FENTON

UNDER the varied conditions prevailing during the past ten years, the average operating costs of the U. S. Rubber Company were 91.8 per cent of sales, whereas its principal competitor, the Goodyear Tire and Rubber Company was operating with an average cost ratio of 88.3 per cent. This difference of 3½ per cent in the operating ratios of the two leading tire and rubber companies was principally responsible for the fairly consistent record of losses of U. S. Rubber, on the one hand, and the sizeable per share profits of Goodyear, except during the depression years, on the other hand.

Of course, the heavier capital charges of U. S. Rubber, the special expenses involved in the general revamping of operations when the du Pont management took hold in 1928, its larger stake in crude rubber production and its more drastic write-offs of inventory all combined to accentuate the contrast in the profits and loss of these two giant tire manufacturers. But back of all of these special factors, however, the fairly consistently lower expense ratio of Goodyear profoundly effected the relative earnings exhibits and the relative fortunes of the stockholders of the two companies during the past ten years.

Evidently, the present management of U. S. Rubber was fully aware of this basic difficulty when it took hold of operating policies and considerably altered these policies in the meantime. Manufacturing activities have been concentrated at the most efficient plants and a score of plants and smaller units that could not be operated profitably have been closed down and subsequently disposed of or rented as conditions permitted. To further simplify operations, 28 manufacturing and selling subsidiaries were dissolved in recent years and their assets and operations taken over by one unit, United States Rubber Products, Inc.

During the depression, effects of these changes in operating policies were not fully reflected in operating ratios, but with the recovery of more normal business volume and better prices during 1935 and 1936, the cost ratio dropped to 86.0 and 86.6 per cent respectively, whereas in three boom years 1927 to 1929, the ratio was 92.5 to 93.5 per cent. Whether the general reorganization of U. S. Rubber operating methods and policies has gone deep enough to maintain the improved expense control under less favorable conditions in the industry than prevail at present is yet to be seen. There can be little question, however, that the basic adjustments over a number of years are bearing fruit in the present recovery phase.

Aside from the percentage comparisons that come to light in a ratio analysis, the capital changes that have taken place in both companies during the past decade are worth noting. In spite of heavy losses during the depression U. S. Rubber reduced parent company debt from around $100,000,000 in 1929 to $50,000,000 at the end of 1936, whereas the more prosperous Goodyear concern had $58,000,000 parent company debt

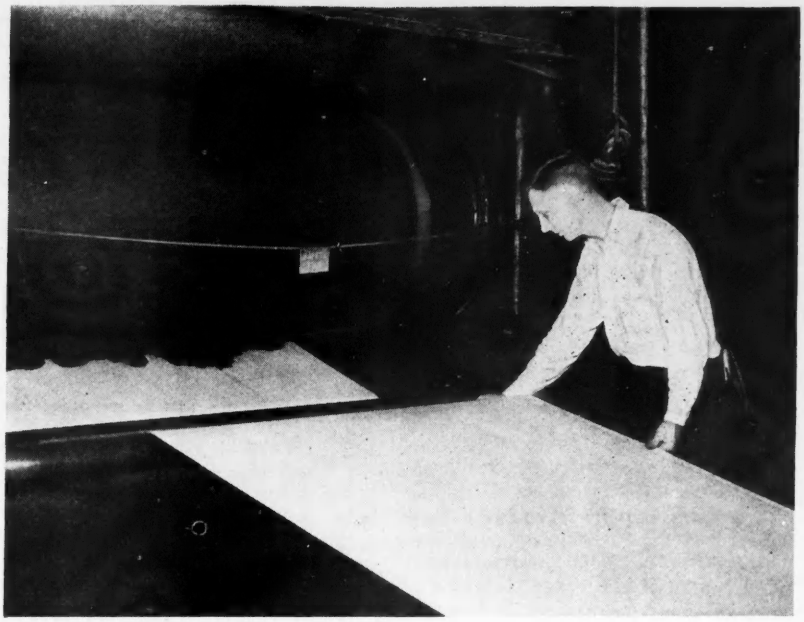
Comparison Table

10 Year Average	Col. 1 Goodyear	Col. 2 U. S. Rubber	Percent of Col. 2 to Col. 1
Sales Volume (000 omitted)	$179,873	$141,135	78.4%
Operating Ratio (expenses to sales)	88.3%	91.8%	104.1%
Net Income (000 omitted)	$8,430	$2,343	27.8%
Per Share Earned	$2.73	$5.16d	......
Percent Invent. and Receivables of Current Assets	68.8	82.60	120.0%
Inventory Turn-over	3.13	3.60	115.0%
Sales per $1 of Plant Invest.	$2.10	$1.60	76.2%
Current Assets to Current Liabilities	10.72	4.50	41.9%
$ Per Share Charged to Depreciation and Invent. Adj.	$8.70	$6.90	79.3%
Current			
1936 Per Share Earnings	$3.90	$3.31	84.8%
Increase in Sales, 1st half 1937	28%	33.0	11.8%
Increase in Net Earnings 1st half 1937	125%†	105%‡	84.0%
Book Value Dec. 31, 1936	$26.82	$20.04	74.8%
Current Price Earnings Ratio	10.9	18.4	169.5%
Recent Price	$42⅝	$61	143.0%

†—Not including $1,500,000 special reserve. d—Deficit.

‡—Earnings do not include about $2,500,000 profits from plantations.

in 1929 and $52,550,000 at the end of the past year. Preferred capitalization of U. S. Rubber is a non-cumulative charge. While omission of payments to preferred holders during the lean years eased the company's financial problems in the depression, no heavy accumulation of preferential claims on earnings existed on the recovery. Goodyear, on the other hand reduced payments to preferred holders below the $7 a share annual cumulative charge after 1932 and had accumulations to face on the recovery that resulted in a recapitalization plan earlier this year. In order to make the plan attractive, the new preferred was given a conversion privilege that if fully exercised would more than double present common stock capitalization. Savings in preferred dividends effected by the Goodyear plan are less than half of the savings in interest charges achieved by U. S. Rubber as the result of debt retirements since 1929 without dilution of common equity.



Calendering compounded rubber into the fabric used in tires at the Goodyear plant.

The per-share earnings (or deficit) figures included in the accompanying ten-year ratio tables are calculated on balances, after substantial deductions for certain "book charges" such as depreciation, inventory write-offs, and reserves for various contingencies arising during the depression. While such charges are properly made in appraising real earning power, nevertheless, there was a substantial difference between cash income and reported income (or the out-of-pocket losses and reported losses). The total charges of this nature by Goodyear amounted to more than $116,000,000 in the aggregate during the ten year period or $66.70 a share on the present number of common shares outstanding. For U. S. Rubber, the total sum is close to $97,000,000 or about $65 a share on the present common.

The larger-than-reported cash income of Goodyear was a factor in the management's ability to conserve net working capital and cash resources, working funds of $105,660,000 at the end of 1936, comparing with less than $116,000,000 at the end of 1929. U. S. Rubber, with its heavier losses and the special costs and expenses involved in the revamping of the business, experienced a larger drain on working capital. Net current assets of about $56,950,000 at the end of the past year compare with $79,450,000 at the end of 1929.

It does not appear to follow that depression difficulties left their mark on U. S. Rubber beyond the immediate adverse effect upon earnings in the poor years and the drain on working capital during the period under review. With the abandonment of unprofitable plants, the ratio of U. S. Rubber's sales to plant investment rose from $1 of sales for each $1 of plant investment in 1929 to $2.50 of sales for each $1 of plant investment in 1936. Goodyear's ratio was $2.60 of sales in 1929 for each $1 of plant investment, but fell to $1.20 at the low point of the depression in 1932 and recovered to $2.50 in 1936, *(Please turn to page 563)*

Goodyear Tire & Rubber

% Operating Expenses to Sales	Sales Times Inventory	% Invent. & Receiv. of Cur. Assets	Sales Times Plant Invest.	Per Share Earned	Deductions from Earnings ‡	Year
88.6	2.45	87.5	2.5	$3.90	$4.48	1936
90.4	2.80	75.5	2.1	0.12	5.38	1935
89.0	2.45	69.8	1.8	d0.66	5.52	1934
86.4	2.78	52.1	1.3	d0.79	5.94	1933
90.4	2.96	49.5	1.2	d4.24	11.42	1932
87.0	3.53	62.1	1.7	0.04	11.98	1931
87.2	3.58	68.0	2.0	3.16	12.69	1930
87.5	3.88	68.4	2.5	9.34	6.85	1929
86.1	3.65	76.6	3.0	7.45	11.51	1928
90.2	3.23	78.9	2.6	9.02	11.20	1927
88.3	3.13	68.8	2.1	2.73	8.70	10 Yr. Aver.

U. S. Rubber

Year	% Operating Expenses to Sales	Sales Times Inventory	% Invent. & Receiv. of Cur. Assets	Sales Times Plant Invest.	Per Share Earned	Deductions from Earnings ‡
1936	86.6	3.97	82.8	2.5	$3.31	$4.17
1935	86.0	4.38	82.0	1.9	0.90	4.70
1934	90.1	3.60	80.5	1.4	d3.70	4.08
1933	88.2	3.49	83.6	1.1	d3.50	4.42
1932	98.3	3.95	74.1	1.0	d10.12	5.23
1931	95.2	4.22	78.8	1.3	d9.73	8.50
1930	95.9	3.58	89.4	1.7	d15.90	12.60
1929	92.5	3.36	86.5	1.9	d3.16	5.38
1928	92.5	2.91	74.4	1.8	d10.92	13.82
1927	93.5	2.50	94.4	1.0	1.27	6.05
10 Yr. Aver.	91.8	3.60	82.6	1.6	d5.16	6.90

d—Deficit. ‡—Dollars per share charged to depreciation and inventory adjustments.

For Profit and Income

An Interesting Preferred

Sharon Steel $5 convertible preferred quoted around 103 offers a fair income return plus a greater promise of price appreciation than is usually to be found in preferred issues of this type. The issue is entitled to cumulative dividends of $5 annually and is convertible into common stock until 1951 at various prices. At the present time, and until May 1, 1939, preferred stockholders may convert into the common at $35 a share. The common is selling slightly above the latter figure. Sharon Steel is one of the smaller steel units and is engaged principally in the manufacture of strip steel, including hot and cold rolled strip, galvanite, ternecoat and stainless steel strip. A subsidiary manufactures hot and cold rolled and galvanized sheets, and a 33% stock interest is held in the Mullins Mfg. Co. For the first six months of the current year, the company earned preferred dividends by an adequate margin and net available for 387,002 shares of common was equal to $2.71 a share, comparing with $1.15 a share in the first six months of 1936. Outstanding preferred will be increased to 59,990 shares by the recent sale of 20,000 additional shares to provide funds for the retirement of all the company's outstanding funded debt.

Railroad Equipment

Representative railroad equipment issues have as yet to show any appreciable recovery from their lows this year. This is doubtless accounted for by the sharp tapering-off in the volume of new orders. However, this is likely to be a temporary lull, in the wake of the heavy buying last Fall and earlier this year, rather than the beginning of a prolonged recession. Inquiries for new equipment have been more active recently and if the anticipated movement in Fall traffic materializes the unfilled equipment needs of most carriers should be more forcefully demonstrated. In the meantime, leading manufacturers are still busy with a sizable volume of unfilled orders. In the first six months, American Locomotive earned $1.11 a share vs. a loss last year; American Steel Foundries $1.87 a share vs. 82 cents and Pullman $1.73 vs. 70 cents.

Glass Container Companies

The vigorous competitive battle between glass, tin and paper containers shows no signs of diminution. Leading companies in all three fields are doing well but on the basis of most recent earnings, manufacturers of glass containers appear to have somewhat the edge. Owens-Illinois Glass, the leading unit in the field, reported a gain of more than $3,000,000 in earnings for the twelve months to June 30, last and net of $11,956,194 was equal to $4.46 a share on the 2,661,204 shares of common stock as compared with $8,776,340, or $6.84 a share on 1,282,260 shares in the corresponding period last year. The latest quarterly dividend amounted to $1 as against 75 cents previously paid. There is no indication that the heavy sale of beer in tin containers has appreciably cut into the company's bottle business, while the rapid development of new industrial uses for glass has made it necessary for the company to embark upon an extensive program of plant expansion, involving $20,000,000. For this purpose $15,000,000 3½% debentures were recently sold privately. Hazel-Atlas Glass, which specializes in glass merchandise containers and preserve jars, earned the equivalent of $7.99 a share for the twelve months to June 30 last, comparing with $6.50 a share in the same months last year. Having no bonds or preferred stock outstanding, the latter company is well able to pursue a generous dividend policy and to which the trend of recent earnings lends adequate support.

Farm Machinery

Having previously offered strong resistance to the decline in the market, shares of leading farm equipment companies are quoted near their highs for the year—and not without reason. Present indications are that farm income this year will be in the neighborhood of $8,500,000,000, the highest since 1929, and sales of farm equipment are expected to be close to, if not in excess of, the 1929 peak of $600,000,000. Of this figure, $250,000,000 will probably be spent for tractors, the manufacture of which has become an important industry in its own right. Practically all of the leading manu-

facturers of farm equipment produce tractors, while Caterpillar Tractor is the largest single unit and tractors contribute an important portion of Allis-Chalmers' business. Sears, Roebuck has entered the field with a tractor manufactured by Graham-Paige Motors Corp.

Straws in the Wind

Two successive increases in the price of lead reflect the strong statistical position of this metal. Supplies are meagre and demand has been exceptionally heavy, particularly from the building industry. . . . Sears, Roebuck's new Fall-Winter catalog shows an average increase of 5% in prices over a year ago. The size of the catalog was increased by 110 pages. . . There has been a salutary improvement in the statistical position of leather. Consumption has been running ahead of last year and the prospects are that cattle slaughter in subsequent months will be less than a year ago when drought conditions compelled considerable distress slaughtering. Recent reports indicate an increasing amount of anthrax disease, a condition which will further restrict cattle supplies. Stable or rising hide prices remove the possibility of inventory losses on the part of tanners and shoe manufacturers. . . . Increased wages and shorter working days will inevitably give further impetus to the demand for up-to-date machinery and modern labor-savings devices. Potential replacement demand to supplant outworn and obsolete industrial equipment is still sizable and promises to become increasingly effective in swelling the earnings of machine tool, heavy machinery, electric equipment, and office equipment manufacturers in the months ahead.

Developments in Companies Recently Discussed

J. C. Penney. **Company's report for the first six months revealed a 9% increase in sales and net income of $7,182,572 compared with $6,684,603 in the corresponding months of last year, a gain of slightly more than 7%. Applied to the common stock earnings this year were equal to $2.82 a share, as compared with $2.71 in the first six months of 1936. With a large portion of its stores located in rural centers, earnings in the final half-year promise to reflect the rising trend of farm income.**

Stone & Webster. **For the quarter ended June 30, company's earnings recorded an appreciable increase. Net of $407,733 was equal to 19 cents a share for the common, comparing with $156,303, or 7 cents a share in the June quarter of 1936. Consolidated earnings for the 12 months to June 30 last, totaled $2,067,219, equal to 98 cents a share on the common vs. $1,307,442, or 62 cents a share in the same period last year.**

Allis-Chalmers. **Company has announced that stockholders will be offered the privilege of subscribing to $25,000,000 new convertible debentures, and not $16,000,000 as originally planned. Business has increased to a point where the management feels that additional working capital, as well as enlarged plant facilities, are required. Of the new funds about $8,000,000 may be used for construction of new plants and $12,000,000 will be employed to discharge bank loans. In the first six months of this year the company booked orders amounting to $53,000,000 as compared with $30,664,836 in the same period last year and unfilled orders on June 30 totalled more than $23,000,000 as compared with about $11,000,000 a year previous. Earnings in the first six months were equal to $2.34 a share, comparing with $1.55 a share on a smaller amount of stock in the first half of 1936.**

Socony-Vacuum. **According to official estimates, company's earnings in the first six months of this year were at a record high level. Net was placed at $32,000,000 or about $1.01 a share, comparing with $20,000,000 or 63 cents a share in the same period of 1936. On this basis, current earnings are running at a rate about double the dividends paid this year, and a larger disbursement appears indicated.**

Crane Co. **Reflecting the increased volume of industrial and residential construction, earnings of Crane Co. have recorded a sharp upturn. Net income for the twelve months to June 30, amounted to nearly $10,000,000, or $3.78 a share on the common. While no comparison is available, the most recent showing is substantially better than that for the full 1936 year, when net was equal to $2.04 a share for the common. All of the company's 7% preferred stock has been called for redemption on Sept. 15, funds for this purpose have been obtained by the issuance of new 5% convertible preferred stock.**

Atlas Plywood. **As one of the leading manufacturers of plywood packing cases, company's earnings have reflected in substantial measure the increasing tempo of general business recovery. Preliminary report for the fiscal year ended June 30 last, indicates net profit of $495,188, equal after preferred dividends to $3.31 a share for the common stock. In the 1936 fiscal year, the common earned the equivalent of $1.04 a share.**

Westinghouse Electric. **Company's unfilled orders at the end of June were the largest in seventeen years, and totalled nearly $84,000,000. New business was booked at the highest rate in the company's history and of particular note was the increase in orders for heavy utility equipment, demand for which has lagged for some time. Earnings increased 43% in the first six months and were equal to $4.25 a share, enhancing the probabilities that over $9 a share will be earned on the combined preferred and common stocks this year.**

A Bond for Income and Profit

Childs Co. debenture 5's 1943 selling around 85 give a current return of about 5.8%. Earlier this year these bonds sold at 94. The company operates a large chain of restaurants, and present plans call for the extension of the chain to include a number of lower priced units. Recent earnings have shown steady improvement, in response to the modernization program which was started several years ago. In the first six months of this year fixed charges were earned nearly twice, comparing with about 1.2 times in the same period last year and 1.7 times for the full 1936 year. With the prospect that results in the final half of this year will show further

(Please turn to page 568)

Taking the Pulse of Business

—Steel Operations Rise

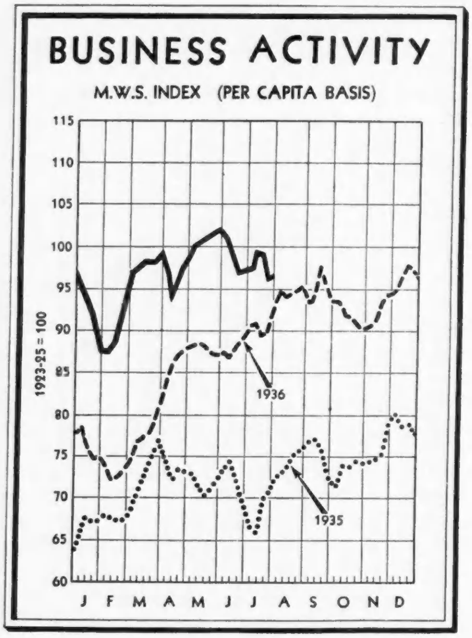
—Cotton Textiles Slacken

—Copper Faces Broad Demand

—Retail Trade Active

THE past fortnight was characterized by further strength in the Common Stock and Bond Indexes, in face of some contraction in Business Activity and conspicuous weakness in agricultural staples. The latter development suggests that farm income during the second half year may not quite reach the billion dollar increase over last year's final six months that was recently predicted by economists of the Agricultural Department before the recent price decline set in. In June, farm income, including benefit payments, fell 2% below the cash intake for June, 1936. This is the first decrease, on an annual comparison basis, that has been reported since September, 1935, and present indications point to another small decline in July. True, our wheat crop is still expected to be the most valuable in 10 years; but this will account for only a comparatively small portion of the farmers' total income. Including benefit payments, farm income for the first six months topped that of the corresponding period a year ago by $539,000,000, or 16%. But prices for cotton, corn, wheat, oats, sugar, butter and eggs are now somewhat under last year's level; so that, in spite of unusually bountiful crops, it would be rather surprising, in the absence of further war scares to lift prices, if farm income for the full calendar year exceeds that of last year by more than a billion dollars. An increase of even such magnitude, however, will afford a powerful stimulus to retail trade, and so be helpful in many other fields of industry.

While most components of our Business Activity index, except lumber shipments and steel output, have reported some seasonal contraction during the past fortnight, it was the sharp drop in automobile assemblies and cotton cloth production which were chiefly responsible for a two-point decline in per capita Business Activity to around 96.4% of the 1923-5 average, a level only 5% higher than last year at this time. There is apparently little hope for any substantial pick-up in the cotton goods industry until prices for the raw staple become more stabilized; but operations in the motor car field will probably not fall off this Summer as drastically as usual, since Ford will be resuming operations about the time when other makers shut down for retooling. This staggering of plant shut-downs will tend to cushion the present seasonal recession until the anticipated autumn recovery sets in.



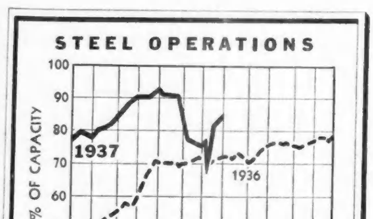
Retail trade is still only moderately ahead of last year in dollar volume, and merchandise inventories in many lines remain too high to encourage heavy re-orders in the immediate future. Nevertheless, heavy farm income, expanding payrolls, and liberal dividend disbursements should more than compensate this autumn for the absence of last year's soldier bonus; and the National Dry Goods Association is looking forward to a 10% increase in sales over the corresponding season of 1936.

In some lines, activity in the capital goods field is also showing a diminishing spread over last year; though sharp improvement is looked for this Autumn as a result of reviving business confidence and extensive plans now under way for new stock issues to provide capital for expansion. Thus building permits for June showed a 5% decline in estimated value from the corresponding period of 1936, against a cumulative increase of 26% for the half year. Furniture orders, while showing no increase in June, were 33% ahead of last year for the half year. In sharp contrast, is a recent statement by the Westinghouse Mfg. Co., disclosing that current bookings of new orders are the largest on record, showing an increase of 60% over last year for both the half year and full year ended June 30.

Factory employment in June was 12% ahead of June, 1936, while payrolls increased 27%. According to the Bureau of Labor Statistics, non-agricultural employment in May came to 34.8 millions, against 37.1 millions at the 1929 peak, when an estimated 900,000 were out of work. If equally satisfactory conditions obtained today (allowing for growth in population) there should be about 39.5 millions employed in non-agricultural pursuits; so that present unemployment from this source apparently amounts to 4.7 millions. Adding an estimated million for agricultural unemployment, it would seem that around 5.7 millions are now unemployed, over and above the number who are normally out of work even in the best of times. According to this, our per capita Business Activity index would have to reach 115, or about 5% above the 1929 peak, to take up the unemployment slack. This required increase of merely 5% above the 1929 peak would seem to indicate that technological unemployment is probably responsible for less than two millions of the total number who are now out of work.

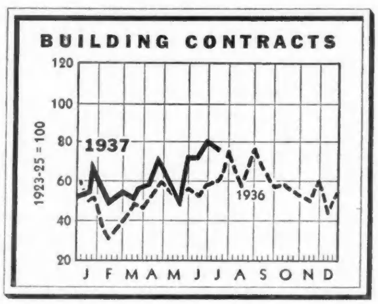
The Trend of Major Industries

STEEL—Steel mills are operating at a new peace time high for this season of the year, when figured on an actual tonnage basis. New business is still being received at about 75% of shipments; but backlogs will suffice to maintain the present high rate



of operations until September, when the Autumn influx of new orders from automotive plants, farm implement makers, the railroads and other heavy consumers is expected to set in. Second quarter profits of producers not afflicted with labor trouble were fully up to expectations, and third quarter profits of nearly all steel companies should make pleasant reading for stockholders. Can manufacturers and farm implement makers should operate at close to capacity until the year-end, owing to the prosperity of our farming community. Foreign demand is heavy and increasing in consequence of military activities throughout Europe and the Far East. The American Iron & Steel Institute estimates that finished steel products now have an average life of 33½ years, compared with only 15 years a half century ago, which helps to explain why secular expansion in steel output is at a slower pace than in some other branches of industry.

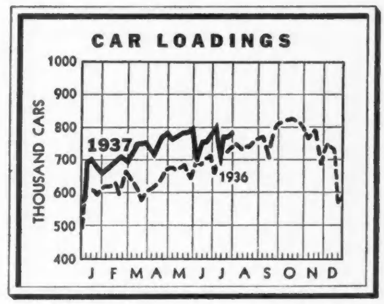
CONSTRUCTION — Although the figures on building permits for June, released since our last issue, reflect unsettled conditions then obtaining because of the since vanished wave of lawlessness among C. I. O. sympathizers, figures on costs prepared recently by the Labor Department fail to substantiate claims that expense is chiefly responsible for the slow revival in construction activ-



ities. Compared with 1926, a big building year, the current advance in wage rates for journeymen, helpers and laborers amounts to only 5%. The main difficulty thus seems to be that rents have as yet not risen far enough to meet boom time labor costs. Outside the larger cities, however, non-union building labor is still obtainable at lower wages; so that present conditions throughout the country are rather spotty.

METALS—Although world output of copper is expected to increase considerably this Autumn, insistent demand abroad has forced up the foreign price to a level which foreshadows a nearby advance in the domestic price. Domestic consumers have thus entered the market recently on a large scale, and the trade now expects that August will see producers sold up through December. Domestic stocks of lead on July 1st amounted to less than half the tonnage a year earlier, and the price has just been advanced by ten points. E. A. Rasmuson, President of the Bank of Alaska, predicts that platinum production in Alaska, which is expanding rapidly, may upset the world market for that metal by 1938.

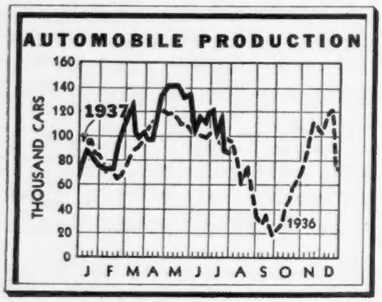
RAILS—Though the margin of increase in car loadings over a year ago has been narrowing of recent weeks, rising coal shipments in an-



ticipation of Autumn price advances should soon help to widen the spread. Truckloadings, which for June showed a 16% increase over June, 1936, are still expanding faster than car loadings. Owing mainly to the inclusion of pension rebates, net operating income of Class I carriers in June is expected to achieve a gain of about 4% over June of 1936. Without this windfall there would have been a 14% decrease, owing mainly to more liberal maintenance expenditures pending a decision on rate increase applications. This would bring net income for six months, after charges, to about $30,000,000 (including about $13,000,000 of pension rebates), compared with a $23,000,000 net loss for the first half of 1936. Effective Oct. 31, Western roads will increase first class round trip passenger rates to 2¼c a mile, from the 2c rate which has been in effect since 1933. Rising expenses and growing competition have forced the Hudson & Manhattan R. R. to raise its fares to 10c, from the former 6c, between the Hudson Terminal in downtown Manhattan and Jersey City. Eastern railroads, believing that the larger gross produced by lower pas-

senger fares has been absorbed by heavier traffic costs, may also seek higher passenger rates this Autumn.

AUTOMOBILES—Now that Ford has broken the ice by announcing price advances on about 90% of his output, other companies

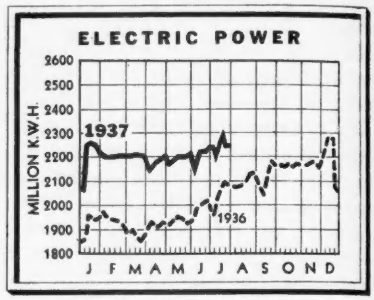


will probably soon fall into line; General Motors having subsequently announced price increases for all divisions ranging from 2 to 7% a car. Fortunately the enlarged purchasing power created by heavy farm incomes should help to absorb these price increases. The American Bantam Car Co. announces that it expects to get into production next month, and the trade is wondering how much competition may be looked for in the low price field from this source. Jokesters will doubtless ensure the newcomer a generous amount of free advertising.

OIL—Profits of the domestic oil industry are runing at the best level in eight years, with the first 12 major companies to report for the half year, showing an aggregate increase of 62% over the corresponding period of 1936. Prospects for the second half year seem equally promising. Much encouragement for the longer range outlook may be derived from a recent report by the Bureau of Mines showing that, while coal output in this country has declined 21% during the past eight years, crude petroleum production meanwhile has increased by 26%.

MERCHANDISING—Wholesale trade in the New York Federal Reserve District for June was 9.7% ahead of the like month of 1936; but a 15% increase is reported for the entire country. Manufacturers' sales in June gained 11.7%. This is a fairly satisfactory rate of expansion and reflects a high degree of confidence in the Autumn outlook for retail sales on the part of producers and middlemen. Even more gratifying is the rapid recovery in foreign trade where our merchandise imports plus exports increased 46% in June, against a six months' gain of only 40%, as compared with the like periods of 1936. Retail trade is still suffering some from overbuying during the Spring, and department store sales in the New York area during the first fortnight in July were only 3.5% ahead of last year. Soldier bonus expenditures last year are also partly responsible for the narrow spread; and, with vacation travel at record peaks, it is apparent that larger slices of this year's incomes are being diverted to gratify the craving for recreation. With a return of the vacationists, however, our broadening stream of national income should soon find its way into domestic retail channels.

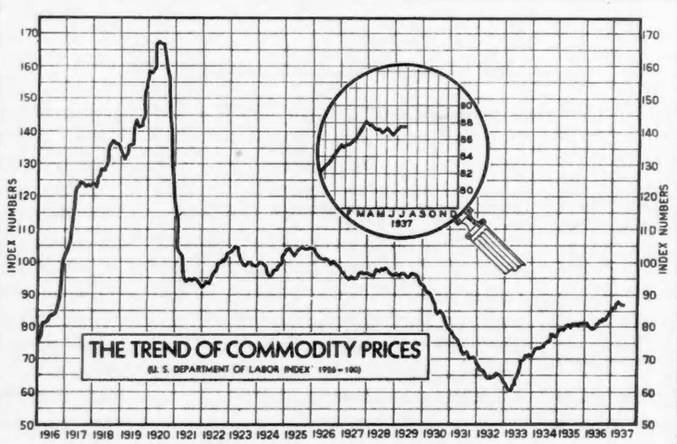
UTILITIES—Reflecting the recent recession in general business activity, the spread in electric power output over a year ago has narrowed temporarily to 8%; but the total is still close to the highest on record, and should again mount rapidly with the onset of general



business recovery this Autumn. Meanwhile earnings of the industry are increasing at the rate of about 6% per annum. Leaders in the utility industry are in hearty accord with that section of the recent report by the National Resources Committee in which it is pointed out that, owing to the necessity of establishing steam plant reserves, the generation of electric energy by steam is more economical than by water power.

Conclusion

Owing chiefly to slackening output of cotton cloth and the early closing of Ford plants for vacations and inventory taking, there has been a rather sharp recession in Business Activity since our last issue. Normally the entire motor car industry has shut down for retooling during the greater part of September; but, in the present instance, Ford will have resumed operations when other plants begin to close. The effect of this will be to cushion the normal Summer recession in production so that, on a seasonally adjusted basis, the index of Business Activity, will move erratically during the next four to six weeks, but should turn upward somewhat earlier than usual this Autumn.



Changes in Major Commodity Price Group for the Fortnight Ended July 31, 1937

Farm products	down 3.4	Metals	up 0.1
Foods	up 0.4	Building material	down 0.1
Hides and leather	up 0.8	Chemicals	up 0.2
Textiles	down 0.1	Housefurnishings	up 1.1
Fuel and lighting	up 0.4	Miscellaneous	down 1.0

ESSENTIAL STATISTICS

Finance   Securities   Business

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

1935 Indexes High	1935 Indexes Low	No. of Issues	(1925 Close—100)	1937 Indexes High	1937 Indexes Low	July 24	July 31	Aug. 7
106.0	78.4	330	COMBINED AVER.	122.0	93.6	104.7	103.9	104.0
204.6	113.4	5	Agricultural Implements	251.9	204.6	251.9H	250.2	250.2
68.6	39.9	6	Amusements	72.6	58.0	68.0	68.7	68.0
143.5	116.8	16	Automobile Accessories	146.0	104.9	120.4	119.4	119.4
24.9	17.7	13	Automobiles	30.1	20.8	23.6	23.0	22.9
156.8	104.3	8	Aviation (1927 Cl.—100)	178.0	126.0	140.4	143.4	138.0
23.8	12.6	3	Baking (1926 Cl.—100)	28.5	17.0	18.6	17.8	17.7
500.9	318.6	2	Bots. & Cks. ('32 Cl.—100)	542.4	456.0	527.4	538.3	542.4H
262.0	202.8	3	Business Machines	308.6	245.0	273.8	271.4	278.0
287.4	216.2	2	Cans	242.8	184.1	207.7	211.0	213.2
237.1	187.5	10	Chemicals	247.7	201.5	224.5	222.5	222.7
73.8	42.8	15	Construction	88.3	60.7	69.7	68.4	67.4
166.4	87.9	10	Copper & Brass	217.4	148.0	172.6	172.9	188.2
47.8	39.3	2	Dairy Products	43.5	33.5	37.1	37.0	33.5
41.8	23.3	10	Department Stores	42.7	32.7	36.5	37.3	36.9
100.1	72.8	8	Drugs & Toilet Articles	108.8	84.8	89.8	89.1	88.6
441.1	227.2	2	Finance Companies	388.4	323.5	341.4	343.7	350.3
70.1	60.9	7	Food Brands	71.9	52.5	56.1	55.8	55.3
56.6	41.4	4	Food Stores	53.2	38.6	42.9	42.1	41.4
103.2	65.7	3	Furniture	122.3	98.3	108.4	108.2	106.0
1296.9	1116.0	4	Gold & Platinum Mining	1253.6	940.1	990.6	957.2	957.2
51.0	36.6	5	Investment Trusts	58.6	44.6	50.1	49.8	49.0
341.6	265.2	3	Liquor (1932 Cl.—100)	317.8	259.1	277.1	276.8	274.5
189.5	134.7	9	Machinery	209.8	163.5	185.0	183.5	184.5
107.4	61.3	2	Mail Order	104.2	85.2	102.0	101.5	101.9
83.9	59.4	4	Meat Packing	109.6	79.6	91.2	89.5	89.8
232.5	159.5	14	Metal Mining & Smelting	334.1	232.5	278.1	284.4	299.3
23.4	6.0	2	Paper	26.8	19.0	20.7	21.7	22.7
142.8	97.2	24	Petroleum & Natural Gas	158.8	137.0	150.5	148.8	146.1
96.6	67.2	18	Public Utilities	114.9	72.5	94.1	92.4	86.6
35.4	26.7	4	Radio (1927 Cl.—100)	31.7	22.6	25.9	25.6	27.5
100.4	52.5	9	Railroad Equipment	112.9	79.4	85.6	83.9	82.7
39.8	27.3	24	Railroads	48.6	33.8	38.0	36.2	36.2
27.1	13.4	3	Realty	28.5	14.9	17.2	18.3	17.9
87.6	62.7	4	Shipbuilding	87.6	62.9	67.0	66.8	69.4
124.5	85.2	12	Steel & Iron	165.6	124.5	146.7	148.6	156.0
45.3	29.8	6	Sugar	45.2	35.1	36.2	37.2	36.4
175.6	142.5	2	Sulphur	171.2	144.5	169.5	166.9	169.9
97.4	76.6	3	Telephone & Telegraph	85.3	62.0	70.3	69.0	67.4
83.5	62.0	8	Textiles	91.8	69.4	77.6	78.1	76.9
20.9	10.6	4	Tires & Rubber	29.2	20.5	25.2	24.7	25.6
100.2	87.2	4	Tobacco	99.4	80.9	85.8	85.9	86.6
76.2	61.0	5	Traction	71.9	33.5	46.0	41.0	41.1
369.2	232.5	4	Variety Stores	346.8	245.0	268.0	279.0	276.7

H—New HIGH record since 1931.

DAILY INDEXES OF SECURITIES

	N. Y. Times 40 Bonds	Dow-Jones-Avgs. 30 Indus.	Dow-Jones-Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, July 26	84.75	184.42	54.83	134.50	133.58	896,210
Tuesday, July 27	84.55	184.24	54.40	134.16	133.17	739,510
Wednesday, July 28	84.43	182.57	53.52	133.92	132.26	865,610
Thursday, July 29	84.32	183.01	52.95	132.76	131.44	610,765
Friday, July 30	84.20	184.01	52.85	132.79	131.65	615,250
Saturday, July 31	84.21	185.61	52.95	133.05	132.28	389,590
Monday, August 2	84.29	186.91	52.83	134.07	132.60	789,270
Tuesday, August 3	84.16	185.91	52.20	134.24	132.91	897,060
Wednesday, August 4	84.26	186.80	53.38	134.44	132.76	902,850
Thursday, August 5	84.37	186.09	53.13	134.36	132.98	794,760
Friday, August 6	84.37	185.43	52.64	133.24	132.19	679,880
Saturday, August 7	84.44	186.41	52.95	133.15	132.49	314,863

STOCK MARKET VOLUME

Week Ended Aug. 7	Week Ended July 31	Week Ended July 24
4,378,683	4,116,935	5,500,810
Total Transactions Year to Aug. 7	**Same Date 1936**	**Same Date 1935**
253,990,870	303,090,211	168,413,221

Note: Latest figures compiled as of Aug. 9. (b)—1,000 Gross tons. (LC)—Iron Age, 25-27-100. (d)—F. W. Dodge—37 states. (e)—Estimated. (f)—Dun & Bradstreet. (G)—U. S. Labor Bureau. '23-25-100. ★—000 omitted. †—000,000 omitted. *Iron Age Composite. §—Week ended Aug. 7. My—May Je—June. Jl—July.

MONEY RATES	Latest Week	Previous Week	Year Ago
Time Money (90-day)	1¼%	1¼%	1¼%
Prime Commercial Paper	1%	1%	¾@1%
Call Money	1%	1%	1%
Re-Discount Rate	1½%	1½%	1½%

CREDIT			
Bank Clearings, N. Y.†	$3,596	$3,321	$3,385
Bank Clearings (outside N. Y.)†	2,242	2,130	2,066
Brokers' Loans, F. R.†	1,175	1,141	945
	Aug. 1	July 1	Last Year
Brokers' Loans, N. Y. S. E.†	$1,173	$1,186	$967
New Corporate Financing†	309Je	91My	451

COMMODITY PRICES	Latest Week	Previous Week	Year Ago
Finished Steel* c per lb.	2.605	2.605	2.159
Pig Iron* $ per ton	23.25	23.25	18.84
Steel Scrap* $ per ton	20.42	20.08	14.25
Copper, $ per lb.	.14	.14	.0975
Lead, $ per lb. N. Y.	.065	.06	.0460
Zinc, $ per lb. N. Y.	.0725	.07	.0480
Tin, $ per lb. N. Y.	.58875	.60375	.42
Rubber, $ per lb	.18¾	.18⅜	.16⅜
Crude Oil (Mid-Cont.), $ per barrel	1.27	1.27	1.17
Sugar, raw, $ per lb.	.035	.0345	.0365
Silk, raw, $ per lb.	1.86	1.86	1.83
Wool, raw, $ per lb.	1.01	1.01	.89
Wheat, Price, Sept., $ per bu.	1.12⅞	1.16⅝	1.12¼
Cotton Price, Oct., $ per lb.	.1084	.1078	.1198
Corn Price, Sept., $ per bu.	1.02	.92	1.03¾

KEY INDUSTRIES	June	May	Year Ago
Steel Ingot Prod. (b) (tons).	4,184	5,154	3,985
U. S. Steel Corp. Shipments (b) (tons)	1,269	1,304	885
Pig Iron Production (b) (tons)	3,108	3,537	2,586
Operating Rate, % Capacity	85.0§	84.0	71.5
Auto Production	497,298	516,899	452,968
Bldg. Contract Awards (d)★	$318,137	$244,113	$233,055
Residential Bldg. (d)★	93,123	83,937	73,605
Engineering Contracts★	274,399	235,012	183,917
Cotton Consumption (bales)★.	681	669	555
Mach. Tool Orders, '26—100%	191.8	208.5	128.8
	Latest Week	Previous Week	Year Ago
Oil Prod., daily aver. (bbls.)★	3,592	3,576	2,948
Stocks of Gasoline★ (bbls.)	70,872	72,020	62,446
Elec. Pwr. Output (kwh)†.	2,256	2,259	2,079
Capital Goods Activity (c).	96.4	95.3	87.2

TRANSPORTATION	Latest Week	Previous Week	Year Ago
Carloadings★	783	771	748
Miscellaneous Freight★	308	306	294
Merchandise, L.C.L.★	167	166	164

TRADE	June	May	Year Ago
Dept. Store Sales '23-25—100%	93	93	81
Mail Order Sales★	$86,157	$89,075	$71,028
Merchandise Imports★	285,946	285,038	191,077
Merchandise Exports★	265,363	288,924	185,693
Business Failures (F)	618Jl	670Je	639

EMPLOYMENT	June	May	Year Ago
Factory (G)	101.2	102.3	90.1
Durable Goods Industries (G)	99.0	99.9	84.7
Consumers Goods (G)	103.6	104.8	95.9
Factory Payrolls (G)	102.8	105.2	81.1

Answers to Inquiries

The Personal Service Department of The Magazine of Wall Street will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

Shell Union Oil Corp.

Last October I purchased Shell Union Oil common at around 23 on a recommendation in The Magazine of Wall Street *and am well satisfied with my investment. I am thinking of adding to my shares at these levels and request your opinion of its outlook.—H. A. A., Washington, D. C.*

As a result of an extensive expansion program during the boom era, Shell Union Oil Corp. now ranks as one of the largest units in the industry, enjoying nationwide distribution and a sound ratio between production and refinery requirements. While this expansion program necessitated heavy expenditures, which were met through funded debt and preferred stock flotations, and these proved rather burdensome during the depression years, this situation has since worked out most satisfactorily. Funded debt which stood at about $125,000,000 at the close of 1930, had been reduced to $47,116,500 by the end of 1935, through advantageous purchases at a discount in the open market. Rapid earnings improvement in line with better conditions in the industry later permitted the company to take advantage of existing low money rates and a $60,000,000 issue of 3½% debentures was floated, the proceeds being used to retire the balance of the 5% debenture bonds still outstanding and to reimburse the treasury. As of December 31, 1936, current assets amounted to $84,072,406, including cash and equivalent of $27,819,657, against current liabilities of $31,443,712. All dividend arrears on the preferred were cleared late last year and payments on the common resumed. Earnings in 1936 equalled $1.57 a share on the common stock, after preferred requirements, against 37 cents a share in 1935, while further improvement was recorded in the first half this year with 58 cents a share comparing with 41 cents a year before. Considering the well entrenched position of the company in the industry, further earnings progress will unquestionably be enjoyed during the third quarter of the year in line with the firm crude oil price structure and generally better marketing conditions existing. In accordance with the company's declared policy of paying dividends at the mid-year and again near the close of the year, if warranted at the time by earnings and prospects, directors recently voted a 50-cent payment on the common. Since earnings for the full year 1937 are expected to exceed those of last year, a larger dividend payment at the close of the year would not be unexpected. In view of this possibility and the generally favorable outlook, we feel that you would be warranted in adding to your holdings around these levels, providing, of course, that you keep in mind the dictates of proper diversification in your account.

Vanadium Corp. of America

Am I right in believing that Vanadium Corp. should experience no serious difficulty in getting back to its 1937 highs, participating as it does in the increased demand for steel? Won't the possibility of early dividends also help?—J. L. McK., New York, N. Y.

Among the alloys of steels are ferro vanadium and ferro chrome, produced by Vanadium Corp. of America. The science of metallurgy has made tremendous strides with the result that a considerable variety of materials are being used to produce given properties. Vanadium has been subject to severe competition from other alloys and gains apparently have been somewhat under expectations. The products of Vanadium Corp. are used in making steel principally for automobiles, construction, machine tools and railroad equipment. One-half of the company's assets are invested in ore lands and mineral rights. Outstanding on December 31, 1936, were

(*Please turn to page 559*)

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New York Stock Exchange

Rails

	1935 High	1935 Low	1936 High	1936 Low	1937 High	1937 Low	Last Sale 8/4/37	Div'd $ Per Share
A								
Atchison	60	33¾	88½	59	94¾	69½	80	2.00
Atlantic Coast Line	37¼	19½	49	21⅝	55½	44⅛	51¾	1.00
B								
Baltimore & Ohio	18	7½	26½	15⅞	40½	20⅝	27¾	....
Bangor & Aroostook	49½	36⅛	49½	39	45	38½	44	†2.50
C								
Canadian Pacific	13¾	8⅝	16	10⅞	17½	11⅜	12½	....
Chesapeake & Ohio	53¼	37⅛	77¾	51	68⅞	50⅛	52½	5.80
Chicago Gt. Western Pfd	5⅝	1⅝	14⅝	4	18¼	8¾	11	....
C. M. & St. Paul & Pacific	3	¼	2⅞	1½	3¼	1¾	1⅞	....
C. M. & St. Paul & Pacific Pfd.	4¾	¾	5⅞	2⅞	7¼	3¼	4⅛	....
Chicago & North Western	5⅝	1⅜	4⅞	2½	6⅜	3	3⅛	....
Chicago, Rock Is. & Pacific	2⅝	¾	3	1½	3⅝	2	2¼	....
D								
Delaware & Hudson	43½	23½	54¾	36¾	58⅜	33	37½	....
Delaware, Lack. & West	19⅛	11	23⅛	14⅞	24½	13¾	16¼	....
E								
Erie R. R	14	7⅛	18¼	11	23⅝	13½	15⅝	....
G								
Great Northern Pfd	35⅛	9⅝	46⅜	32¼	56¾	40⅝	49⅞	....
I								
Ilinois Central	22¼	9½	29½	13⅝	38	21	24¾	....
K								
Kansas City Southern	14½	3¾	26	13	29	15	18	....
L								
Lehigh Valley	11½	5	22	8½	24⅝	13⅛	15	....
Louisville & Nashville	64¾	34	102⅜	57½	99	82¼	87	6.50
M								
Mo., Kansas & Texas	6⅜	2½	9⅝	5½	9¾	5½	7⅜	....
Mo., Kansas & Texas Pfd	16¼	5⅞	33⅜	14½	34⅝	21	25¼	....
Missouri Pacific	3	1	4	2⅛	6¼	3	3½	....
N								
New York Central	29¾	12¼	49⅝	27¾	55¼	34½	41	....
N. Y., Chic. & St. Louis	19	6	53⅛	17¾	72	41	52	....
N. Y., N. H. & Hartford	8½	2⅝	6⅛	3	9¾	3¾	4⅜	....
Northern Pacific	25¼	13⅛	36¾	23⅞	36⅝	25⅞	29¾	....
P								
Pennsylvania	32½	17¼	45	28¼	50¼	34¼	37¾	1.50
R								
Reading	43⅛	29⅞	50¾	35½	47	32	33⅞	†2.00
S								
St. Louis-San Fran	2	¾	3⅝	1½	4¾	2⅜	2¾	....
Southern Pacific	25½	12¾	47⅞	23½	65⅜	40¾	49¼	....
Southern Railway	16½	5½	26½	12¾	43⅜	24	31⅛	....
U								
Union Pacific	111½	82½	149¾	108½	148¾	122	126	6.00
W								
Western Maryland	10⅛	5½	12⅛	8⅛	11¾	7⅜	8⅝	....
Western Pacific	3⅜	1⅛	4	1⅛	4¾	2	2⅛	....

Industrials and Miscellaneous

	1935 High	1935 Low	1936 High	1936 Low	1937 High	1937 Low	Last Sale 8/4/37	Div'd $ Per Share
A								
Adams-Millis	37¼	28	35¾	17⅞	28⅝	22½	23⅞	2.50
Air Reduction	....	....	86½	58	80¼	64½	72	3.25
Alaska Juneau	20⅛	13¼	17½	13	15¾	11	11⅝	1.20
Allegheny Steel	32	21	40⅜	26⅞	5⅜	2⅝	2⅞	....
Allied Chemical & Dye	173	125	245	157	258½	215	236½	†6.00
Allied Stores	9	3⅛	20⅛	6¾	21⅞	15	20⅝	*.20
Allis Chalmers Mfg	33⅞	12	81	35⅜	83½	57	69⅝	2.25
Alpha Portland Cement	22¾	14	34½	19¾	39¾	23	23	1.25
Amerada	80	48½	125½	75	114⅞	80	95½	†2.00
American Bank Note	47⅜	13½	55½	36	41⅜	20⅛	27½	1.15
Amer. Brake Shoe & Fdy	42½	21	70¼	40	80¾	57¼	65½	3.15
American Can	149⅝	110	137½	110	121	90¼	111¾	5.00
Amer. Car & Fdy	33⅞	10	60½	30	71	46	51	.25
American & Foreign Power	9¼	2	9¾	6½	13¾	6½	9⅝	....
Amer. Power & Light	9⅝	1½	14⅜	7½	16½	7	11⅛	....
Amer. Radiator & S. S	25⅛	10½	27⅜	18¾	29½	18⅝	21¾	.75
Amer. Rolling Mill	32⅜	15¾	37	23¾	45¼	31⅝	40	2.15
Amer. Smelting & Refining	64⅝	31⅝	103	56¾	105¾	79⅜	95¼	5.50
Amer. Steel Foundries	25¼	12	64	20½	73¼	48⅝	55⅝	2.00
Amer. Sugar Refining	70½	50⅛	63⅝	48¼	56⅞	37	44¾	†2.00
Amer. Tel. & Tel.	160½	98⅞	190⅛	149½	187	159¾	171⅜	†9.00
Amer. Tob. B	107	74¾	104	88½	99⅞	74⅛	84	†5.00
Amer. Water Works & Elec	22¾	7⅛	27¾	19⅛	29½	15¼	20⅝	.80
Amer. Woolen Pfd	68¾	35½	70¾	52¾	79	54½	71	4.00
Anaconda Copper Mining	30	8	55⅜	28	24¾	18	24⅛	.75
Armour Co. of Ill	6⅛	3¼	7⅜	4⅝	13¾	7	11⅞	.55
Atlantic Refining	28	20½	35⅛	26⅝	37	27¼	29	1.50
Auburn Auto	45½	15	54¼	26⅝	36¾	13½	21	....
Aviation Corp. Del	5¼	2¾	7¾	4⅝	9¼	5⅝	7	....
B								
Baldwin Loco. Works	6⅝	1½	11¾	2½	11¼	4¾	5¾	....
Barber Co	22½	11¾	38½	21	43⅜	27⅝	30⅞	1.00
Barnsdall Oil	14¾	5⅞	28¼	14⅛	35¼	23½	25¼	†1.00
Beatrice Creamery	20⅛	14	28⅜	18	28¾	21⅛	24¼	1.50

Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1935 High	1935 Low	1936 High	1936 Low	1937 High	1937 Low	Last Sale 8/4/37	Div'd $ Per Share
B								
Beech-Nut Packing	95	72	112	85	114¾	105	112⅛	6.00
Bendix Aviation	24½	11⅞	32⅜	21⅝	30½	18⅛	20¼	1.25
Best & Co	57½	34	72	48	62¾	47½	59⅞	3.00
Bethlehem Steel	52	21⅝	77¾	45¾	105½	73	100⅛	4.00
Boeing Airplane	22½	6⅛	37⅜	16⅞	49¾	27⅛	35⅛	....
Borden Co	27¾	21	32⅜	25⅝	28	21½	24⅞	†1.60
Borg Warner	70½	28¼	90¼	64	47	38⅞	45⅞	.50
Bridgeport Brass	17⅛	8½	18⅞	12⅛	23¼	15	18⅜	1.25
Briggs Mfg	55⅜	24½	64⅞	43¼	59⅞	39¼	45	3.50
Brooklyn-Manhattan Transit	46¾	36½	58¼	40¼	53	18½	23	3.50
Bucyrus Erie	8⅞	4¼	21¾	8⅞	25½	14¾	17	....
Budd Mfg	9¾	3¼	15⅞	9⅛	14⅜	7⅛	10¼	....
Byers & Co. (A. M.)	20⅝	11⅜	29⅛	16½	33¾	17⅛	21¼	....
C								
Calumet & Hecla	6¾	2½	16½	6	20⅛	12	16⅛	1.25
Canada Dry Ginger Ale	17⅞	8⅛	30¾	10⅜	38¼	23½	24¾	....
Case, J. L	111¼	45¾	186	92½	191¾	138	189	4.00
Caterpillar Tractor	60	36½	91	54¾	100	85	99⅜	*2.50
Celanese Corp	35⅜	19½	32¼	21¾	41¼	26⅜	38⅜	2.50
Cerro de Pasco Copper	65⅜	38⅝	74	47¾	86⅜	60	75¼	4.00
Chesapeake Corp	61¼	36	100	59	90½	67	69½	†3.00
Chrysler Corp	93⅞	31	138¾	85½	135¼	94	117½	12.50
Coca-Cola Co	93	72½	134	84	170½	122½	160	4.00
Columbian Carbon	101¼	67	136½	94	125¾	111	120½	6.25
Colum. Gas & Elec	15¾	3⅜	23⅜	14	20⅞	10	14⅛	.40
Commercial Credit	58	39½	84⅞	44	69¼	56¾	62⅛	6.25
Comm. Inv. Trust	72	56¼	91¾	55	80¼	63¼	65⅛	5.25
Commercial Solvents	23⅞	16½	24⅝	14¼	21¼	13	14⅛	.80
Commonwealth & Southern	3	¾	5½	2¼	4⅛	2	2⅞	....
Consolidated Edison Co	34¾	15⅞	48⅜	27¼	49⅞	31½	37⅜	2.25
Consol. Oil	12¼	6½	17¼	11½	17⅞	14½	15¾	1.10
Container Corp	23⅛	22	26¼	15¾	37⅜	20⅝	30	1.90
Continental Baking, A	11⅞	4½	35⅜	10⅜	37¾	18⅛	24	....
Continental Can	99¼	62¾	87¼	63¾	69⅛	50	58½	3.25
Continental Oil	35	15⅛	44⅞	28⅛	49	39¾	47⅝	2.00
Corn Products Refining	78⅜	60	82½	63⅝	71¼	54⅞	66½	3.75
Crane Co	27⅜	7	50½	24	56½	40	50	....
Crown Cork & Seal	48⅞	23½	91½	43⅝	100⅞	68	83	5.00
Curtiss Wright	4⅝	2	9¼	4	8⅜	5	6	....
Curtiss Wright, A	12¼	6¼	21⅞	10½	23¾	16½	20	.50
Cutler-Hammer	47	16	83¾	43¼	90⅞	73½	74½	3.00
D								
Deere & Co	58¾	22¾	108¾	52	143½	104⅜	137¼	1.00
Distillers Corp. Seagrams	38½	13⅝	34⅝	18¼	29	20¼	22½	....
Dome Mines	44⅞	34⅛	61½	41½	51	38⅛	39½	4.00
Douglas Aircraft	58⅜	17½	82¼	50⅝	77¼	47⅛	58¼	....
Du Pont de Nemours	146½	86⅝	84¾	133	180⅛	148½	161¼	6.35
E								
Eastman Kodak	172¼	110½	185	156	181¾	151	180¾	7.25
Electric Auto Lite	38¾	19⅜	47½	30¾	45½	34¾	38¾	3.10
Elec. Power & Light	7½	1⅛	25⅞	6⅜	26⅝	14⅛	22⅞	....
F								
Fairbanks, Morse	39½	17	71¾	34¾	71⅞	49½	59⅜	2.75
Firestone Tire & Rubber	25½	13⅛	36¼	24⅞	41⅜	31	33¾	2.00
First National Stores	58⅞	44⅜	58⅝	40	52¼	39½	41½	2.87½
Foster Wheeler	30	9⅞	45⅜	24⅛	54½	37½	43¾	....
Freeport Sulphur	30⅝	17¼	35⅝	23½	32¼	24¼	31	1.25
G								
General Amer. Transpt	48½	32⅝	76	42¼	86½	62½	66¾	4.50
General Baking	13⅜	7⅜	20	10¾	19½	10¾	12⅛	1.05
General Electric	40⅞	20½	55	34½	64⅞	49⅜	57	2.05
General Foods	37⅞	30	44	33⅜	44¼	36	37½	2.40
General Mills	72½	59⅞	70½	58	65⅞	60	62	†2.00
General Motors	59⅜	26⅝	77	53⅞	70½	48⅛	57¼	3.75
General Railway Signal	41¼	15⅝	57	32½	65⅛	41¼	42¾	1.00
Gen. Realty & Utility	3⅛	¾	4⅞	2	5¾	3	3⅝	....
General Refractories	33½	16¾	71	33¼	70¼	55	59¾	4.75
Glidden	49½	23⅜	55¼	39½	51½	40¾	42	2.30
Goodrich Co. (B. F.)	14½	7½	35½	13⅝	50½	31	39½	1.50
Goodyear Tire & Rubber	26⅞	15¾	31⅞	21⅝	47⅜	27¾	43⅛	1.00
H								
Hecker Products	22	14⅜	21⅜	12⅝	15⅞	11⅛	11½	.90
Hercules Powder	90	71	150	84	185	144⅞	160½	6.25
Houston Oil	7	1½	13⅞	6⅜	17⅝	12½	15⅛	....
Hudson Motor Car	17½	6¼	22⅝	13½	23¼	13¼	16½	....
I								
Industrial Rayon	36⅜	23½	41⅜	25⅝	47½	33	37½	2.34
Inspiration Copper	8⅜	2½	24¼	6⅛	33⅛	17⅜	27½	....
Interborough Rapid Transit	23⅝	8¾	18⅞	10⅞	13¾	5⅞	8	....
Inter. Business Machines	190½	149¼	194	160	189	146½	160	*6.00
Inter. Harvester	65⅝	34⅛	105½	56⅝	119¼	99⅛	119	3.47½
Inter. Nickel	47¼	22¼	66⅜	43¼	73⅜	55⅛	64⅞	1.90
Inter. Tel. & Tel.	14	5⅝	19¼	11⅛	15⅞	9¾	11⅝	....
J								
Johns-Manville	99½	38½	152	88	155	120	136¼	4.25
K								
Kennecott Copper	30⅜	13¾	63⅜	28¼	69⅜	51	62¼	3.15
L								
Lambert	28½	21⅜	26¾	15⅞	24	18⅛	19⅛	†2.00
Lehman Corp	95¾	67⅛	123¾	89	43½	36	41½	1.75
Libbey-Owens-Ford	49¼	21½	80¼	47¼	79	58½	70	4.25
Liggett & Myers Tob., B	122	93¾	116½	97¾	114	94¼	101¾	6.00
Loew's, Inc	55⅛	31¼	67⅛	43	85½	64½	84½	5.50
Lone Star Cement	36⅞	22⅞	61⅞	35½	75¼	50¼	54½	3.25
Lorillard	26½	18½	26½	21⅛	28⅝	20	21¾	1.50
M								
Mack Truck	30¾	18⅝	49¼	27⅜	62¼	40⅜	45½	1.50
Macy (R. H.)	57¼	30½	65¼	40⅛	58¼	44	47⅞	2.75
Marshall Field	14¼	6¾	25⅛	11⅛	30⅞	18⅞	26¾	....
Masonite	....	....	64½	44	74	48½	54	1.75
Mathieson Alkali	33⅞	23¾	42⅜	27½	41¾	32⅝	37¼	†1.50
McIntyre Porcupine	45⅝	33¾	49⅜	38⅛	42½	32¾	33¼	†2.00
McKeesport Tin Plate	131	90½	118½	83½	42½	31⅛	36¼	.50

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1935 High	1935 Low	1936 High	1936 Low	1937 High	1937 Low	Last Sale 8/4/37	Div'd $ Per Share
M								
McKesson & Robbins	10¾	5⅞	14¾	8⅝	16¼	12⅝	14	....
Mesta Machine	42⅝	24⅛	65	40⅝	72¼	58	66	4.75
Minn. Honeywell	....	....	112	65	120	96	118	3.50
Minn. Moline Power	7⅝	3⅞	12⅜	6½	16⅛	11	13⅞	....
Monsanto Chemical	94¾	55	103	79	104	85	104	3
Mont. Ward & Co	40⅞	21¾	68	35¾	69	48	62½	4.90
Murray Corp	21⅜	4¾	22¾	14	20¾	10⅛	13¼	.50
N								
Nash Kelvinator	....	....	....	....	24⅝	16½	18¾	.75
National Biscuit	36⅜	22¼	38¾	28¾	33⅜	22¾	23⅜	1.60
National Cash Register	23½	13½	32⅝	21½	38⅞	29⅝	36¼	1.37½
National Dairy Prod	22⅛	12⅞	28¼	21	26⅛	18⅛	20¼	1.20
National Distillers	34½	23⅛	33⅜	25⅝	35	27½	30½	2.75
National Lead	....	....	36½	26⅜	44	30⅜	40	.87½
National Power & Light	14⅜	4⅞	14⅞	9⅝	14¾	8⅝	10¾	†.60
National Steel	83¾	40⅜	78	57¼	96½	70	96½	3.62½
N. Y. Air Brake	36½	18½	83	32½	98½	73½	74	4.00
Newport Industries	10⅞	4⅜	40	9	41¾	28	33½	1.85
North American	28	9	35½	23⅛	34⅞	21	27¾	1.35
North Amer. Aviation	7⅜	2	14¼	6⅝	17⅜	9⅝	11¾	....
O								
Ohio Oil	14¼	9¼	18	12⅛	22⅞	17⅛	19⅞	.85
Otis Steel	17⅝	4¼	20¾	12½	24⅜	14½	20⅝	....
P								
Pacific Gas & Electric	31⅝	13⅛	41	30¾	38	28⅛	31¾	1.87½
Packard Motor Car	7½	3½	13⅜	6⅞	12⅜	7⅞	8¾	.35
Paramount Pictures	12	8	25	7⅛	28¾	16⅝	22⅛	....
Penney (J. C.)	84¾	57¼	112½	69	103¾	85	99	7.50
Phelps Dodge	28⅛	12¾	56¾	25⅝	59⅞	40	52⅝	2.00
Phillips Petroleum	40	13¾	52⅜	38⅛	64	49½	61¾	3.00
Procter & Gamble	53¾	42⅜	56	40¼	65½	55½	62	2.62½
Public Service of N. J.	46¾	20⅜	50½	39	52¾	36¾	42⅞	2.70
Pullman	52⅞	29½	69⅞	36⅞	72⅛	51¾	53¼	†1.50
Pure Oil	17	5⅞	24⅞	16	24⅜	16⅝	20½	....
R								
Radio Corp. of America	13⅜	4	14¼	9¾	12¾	7¾	10	....
Radio-Keith-Orpheum	6	1¼	10⅞	5	10⅛	6⅞	8⅜	....
Remington Rand	20¾	7	25	17½	29⅛	21	26	1.05
Republic Steel	20¾	9	29⅞	16⅞	47¼	27½	39⅜	....
Reynolds (R. J.) Tob. Cl. B	58⅝	43⅛	60½	50	58	49	53½	†3.00
S								
Safeway Stores	46	31⅝	49⅝	27	46	31	34⅞	*2.00
Schenley Distillers	56¼	22	55⅞	37¾	51¾	38⅝	43	*5.25
Sears, Roebuck	69⅞	31	101½	59⅝	96	81	95½	7.50
Shattuck (F. G.)	12⅞	7¼	19¾	11⅛	17⅝	12	13¼	1.05
Shell Union Oil	16½	5½	28¼	14¾	34¾	25⅝	28	.75
Socony-Vacuum Corp	15¾	10⅝	17½	12½	22¼	16¼	22⅛	.75
Spiegel, Inc	84	43⅞	114½	63	28¾	19⅛	22½	.75
Standard Brands	19⅛	12½	18⅛	14⅜	16¼	11¾	12⅛	1.05
Standard Gas & Elec	9¼	1½	9⅞	5⅛	14⅜	5¼	9⅛	....
Standard Oil of Calif	41⅛	27¾	47⅝	35	50	39⅝	44⅞	1.35
Standard Oil of Ind	33⅜	23	48½	32¾	50	40½	45½	2.55
Standard Oil of N. J	52⅜	35¾	70⅜	51⅛	76	63⅛	69¾	2.50
Stewart-Warner	18⅞	6⅝	24½	16½	21	17	18¾	1.25
Stone & Webster	15⅛	2½	30½	14⅝	33⅝	17	23¾	.25
Studebaker	10¾	2¼	15⅞	9⅛	20	12	13⅜	....
Sun Oil	77	60½	91	70	77½	65	69	*1.00
T								
Texas Corp	30¼	16½	55¼	28⅞	65⅛	50⅜	64¼	2.00
Texas Gulf Sulphur	36¾	28¾	44¾	33	44	33¾	38¾	3.25
Texas Pacific Coal & Oil	9¼	3¼	15¼	7½	16⅝	11¾	13⅞	.30
Tide Water Assoc. Oil	15⅞	7⅝	21¾	14¾	21⅝	15⅜	21¼	.85
Timken Detroit Axle	13⅛	4⅝	21⅞	12⅛	28⅞	17¾	24⅛	2.00
Timken Roller Bearing	72½	28⅜	74½	56	79	55	64½	4.00
Twentieth Century-Fox	24⅞	13	38⅝	22½	40⅞	30¾	36⅝	3.00
U								
Underwood-Elliott-Fisher	87¼	53¾	102⅜	74⅝	100⅛	73	90½	3.25
Union Carbide & Carbon	75¾	44	105¼	71⅝	111	95	101⅜	2.30
Union Oil of Cal	24	14¾	28½	20¾	28¼	22⅞	25½	†1.20
United Aircraft	30⅜	9⅞	32⅜	20⅝	35⅛	23⅛	29¾	1.00
United Carbon	78	46	96¾	68	91	69¾	84½	4.85
United Corp	7¾	1½	9¼	5⅜	8½	4	5¾	.20
United Fruit	92¾	60½	87	66½	86¾	75	75¾	4.25
United Gas Imp	18½	9¼	19½	14⅛	17	11	13⅞	†1.00
U. S. Gypsum	87	40½	125¼	80½	137	103½	116	3.25
U. S. Industrial Alcohol	50⅝	35⅛	59	31¼	43⅝	28	33½	....
U. S. Pipe & Fdy	22⅝	14¾	63⅞	21½	72¼	44½	52⅞	†3.00
U. S. Rubber	17¼	9⅛	49⅜	16⅜	72⅝	44¼	61½	....
U. S. Smelting, Ref. & Mining	124½	91¾	103¾	72¼	105	78	91	8.00
U. S. Steel	50⅝	27½	79⅞	46⅜	126½	75	119¼	....
U. S. Steel Pfd	119¼	73⅝	154¾	115½	150	126½	133	26.25
Utilities Pw. & Lt., A	4¼	1	7	3⅛	4⅞	1⅝	2	....
V								
Vanadium	21¾	11¼	30⅝	16¼	39⅜	24⅛	32	....
W								
Walworth Co	....	....	12⅜	5½	18¾	11¼	15⅞	....
Warner Brothers Pictures	10¾	2¼	18⅜	9¼	18	11⅛	14⅜	....
Western Union Tel	77¼	20⅝	96⅛	72½	83½	41½	47⅝	2.25
Westinghouse Air Brake	35¾	18	50⅞	34¾	57¾	40¼	42½	2.00
Westinghouse Elec. & Mfg	98¾	32⅝	153½	94½	167⅝	130¼	156	6.00
Wilson & Co	9¼	3⅞	11	6⅝	12¼	8½	9⅞	.50
Woolworth	65¼	51	71	44¾	65⅜	43¾	48⅞	†2.40
Worthington Pump & Mach	25¼	11¾	36¾	23⅛	47	30⅞	41¼	....
Y								
Yellow Tr. & Coach, B	9¼	2⅝	23¼	8¾	37⅜	20⅛	22½	....
Youngstown Sh. & Tube	47⅛	13	87¾	41¾	101⅞	74¾	90	1.50
Z								
Zenith Radio	14¾	1¼	42⅜	11⅛	40¼	30	36⅞	1.50

† Annual Rate—not including extras. * Plus extras. All dividends are the total of declarations for the last twelve months unless otherwise specified.

Answers to Inquiries

(*Continued from page 554*)

$2,825,000 of sinking fund debentures, convertible into common at the rate of $37.50 a share. In addition, there are $600,000 of 3½% notes, also convertible at $37.50 a share. The working capital position of the company appears to be adequate, with cash alone well in excess of all current liabilities at the end of 1936. Earnings on the 376,637 no par shares amounted to 40 cents per share in 1936. It is estimated that earnings in the first half of the current year have run about double those of all of last year. By virtue of a reduction in the stated value of capital stock and by refinancing a note issue which forebade common payments, the company is again in a position to declare dividends if earnings warrant. We are of the opinion that you would be justified in maintaining your position.

Commercial Solvents Corp.

One of your readers tells me you believe the earnings trend of Commercial Solvents may soon show improvement. This would be good news to me, and anything you might care to tell me about the outlook will be appreciated.—V. N., El Paso, Texas.

The products of the company are principally intermediate chemicals. On one side are the principal raw materials: molasses, corn and natural gas, and on the other, the finished products: alcohol, solvents, resins, dry ice and others. In order to protect its raw-material position, the company acquired companies engaged in gathering, storing and distributing molasses. Unsettled conditions caused lower earnings from these subsidiaries. Then too, the price of corn has been relatively high, which has tended to increase costs in the face of still low alcohol prices resulting from the keen competitive situation. As you may know, many solvents can be made from natural raw materials, such as corn and molasses by a fermentation process, or they can be made by synthesis from petroleum or coal as basic raw materials. Nevertheless, the company has maintained its trade position satisfactorily. Neutral spirits for blending purposes, and bourbon whiskey, which may be stored or sold directly to distillers and rectifiers, are also manufactured. The production of dry ice, solidified carbon dioxide, continues to make great strides. All of these factors summed up in the first six months of 1937 netted the company 33 cents per share, against 41 cents per share in the corresponding period the year previously. In the event of a more rigorous winter this year sales of anti-freeze should expand considerably with more cars in service and this situation would prove of great benefit to the company. The financial position of the company is characterized by ample cash resources and the one-class capitalization, namely the common stock. Otherwise, the prospects for any material improvement in earnings under present competitive conditions are moderate, but existing market levels appear to discount known factors and we advise retention of longer-term speculative holdings.

National Distillers Products Corp.

What is holding National Distillers back? Selling at less than ten times earnings, yielding better than 6% and with sales said to be increasing, shouldn't this stock be doing better? I have 150 shares averaging 30½.—G. F., Albany, N. Y.

The market inertia displayed by the shares of National Distillers may be attributed mainly to doubts over the trend of earnings in the face of the implications arising from the production of whisky greatly in excess of recent consumption. However, as pointed out in connection with the Dividend Forecast for the liquor industry, on page 538, signs have recently appeared that leading distillers have no intention of letting production get out of control. National Distillers has already demonstrated its ability to satisfactorily meet the keen competition in the industry and profits have shown a tendency to increase, the report for the initial quarter this year revealing 70 cents a share on the 2,036,896 shares of common stock, against 66 cents a share in the March quarter last year. Balance sheet position at the close of the year was satisfactory. As aging stocks of whiskey are being built up, the company is withdrawing a larger percentage of the aged product than formerly and since this procedure will likely be continued, a better balance between output and sales should be established. In view of the dominant position of the company in the industry and the wide public appeal long enjoyed by many of its leading brands, National Distillers is expected to maintain earning power in the neighborhood of recent levels over early future months, at least. Assuming the continued ability of the industry to avoid excessive production, the previous threat to the price structure will be removed. Earnings are likely to be fairly well sustained and the stock of National Distillers should reflect this situation in gradually mounting quotations.

American Smelting & Refining Co.

As a holder of American Smelting and Refining, I am wondering if, with the New Deal frowning on higher metal prices, the stock still offers interesting speculative possibilities—or if it will be more static from here on.—G. J. B., Allentown, Pa.

Many factors combine to make the common stock of American Smelting & Refining Co. a relatively volatile and interesting speculation. The mining, smelting and refining of precious and industrial metals are operations subject to wide variations up and down through the

business cycle. A number of the company's properties are located in South America, Mexico and Australia, and the business has international ramifications. The outlook for the precious metals is largely dependent upon monetary policies of the several nations, especially the United States. Fundamentally, the company is more interested in the volume of production of the industrial metals rather than the prices, because its principal activity consists of smelting and refining nonferrous metals on a toll basis. A conservative inventory policy, which involves charging current metal costs to sales, tends to curb the illusive impulse to regard fluctuating prices as the most important immediate influence. The mining and smelting activities are supplemented by holdings in such important fabricators as General Cable Corp., Revere Copper & Brass Co. and other companies. In the depression years, the company accumulated excess stocks and it is estimated that nearly one-third of the 1936 profits were derived from the sale of such carry-over. Based on the new capitalization, including the 365,988 shares of common stock offered to shareholders early this year, the earnings available for the common stock in 1936 were equivalent to $7.42 a share. The financial position of the company leaves little to be desired despite the demands on working capital based on higher costs and capacity operations of many of the company's plants and properties. The price situation with respect to the non-ferrous metals appears at this time to be relatively satisfactory and much to be preferred to the speculative levels applying when official Administration pronouncement was made. We cannot regard the future of this company as "static" in view of the inherently speculative nature of the business. The possibilities of sustained demand for the various metals arising from rearmament and industrial sources are more favorable than otherwise. Because too-high metal prices would decrease volume operations, we believe that present price levels are in fact more to the advantage of the company than the higher prices obtaining earlier in the year. With earnings estimates ranging from $8 to $10 per share for the current year, and in view of the above, we advise you to maintain your position in the issue.

Curtiss-Wright Corp.

If over the next few months, Curtiss-Wright common can return to its 1937 highs, one would enjoy more than 30% appreciation on an investment made now. I am in a position to buy 100 shares of this stock and would like to have your opinion before acting.—C. F. A., St. Louis, Mo.

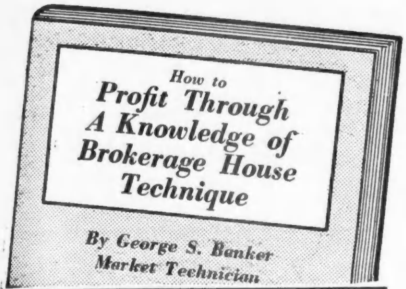
Recent reports of Curtiss-Wright Corp. attest to the company's strong competitive position and are an indication of what may be expected in the way of future earning power. The company was recently awarded an order for 230 Army planes involving some $4,113,000 and it seems probable that additional orders will accrue to the company over the balance of the year. Unfilled orders recently topped the $25,000,000 mark, which compares with $17,652,000 as of March 12, last. The report for the initial half of the current year showed earnings of 77 cents a share on the 1,158,300 shares of $2 non-cumulative Class A stock as compared with 70 cents a year before. Deliveries on Army and Navy contracts over the balance of the year, however, are expected to run well ahead of last year. Nevertheless, it may be some time before the organization is able to report worth while earnings on the common stock, since constant research and development work, while strengthening the organization's position in the industry, do not make for large current profits. Built up during the boom era, a number of unprofitable plants and airport properties were acquired and it is the company's present policy to liquidate these as the opportunity arises and concentrate operations in the most efficient plants. It is understood that such expansion as is necessary to handle the increasing volume of business being received by the company is at present being concentrated on the St. Louis and Paterson plants. Finances of the company are in good shape and should enable the organization to meet costs incident to necessary development and expansion programs. Not only has the company's aircraft manufacturing division been showing encouraging betterment, but the demand for its well known "Cyclone" and "Whirlwind" engines is increasing proportionately. Prospects are for further increases in volume of business both from domestic and foreign customers and while earning power, reduced to a per-share basis, likely will continue low with possibly further deficits on the common stock, the latter issue certainly offers interesting speculative possibilities from a longer term standpoint. We do not feel that it is unreasonable to anticipate an upturn in the stock to the level reached earlier this year.

Motor Wheel Corp.

I hold stock in Motor Wheel Corp. bought around the high of 1936, and which height it was unable to penetrate in the big advance of the early months of this year. I understand the company expects a capacity year, and would like to know if some market improvement is now in order.—R. H. E., Phila., Pa.

Motor Wheel Corp. manufactures wheels, hubs and brake drums for the principal automobile companies, including the Chrysler Divisions (except Dodge), Packard, Buick, Cadillac, La Salle, Hudson and Yellow Truck & Coach. About 20% of the company's sales volume is outside of the automotive field, including items such as oil-burners, liquor barrels and sundry steel parts. Competitively the company has done well with per share earnings of $2.12 in 1936 and first quarter earnings of 54 cents per share against $1.28 and 44 cents respectively for the comparative periods. The company reports capacity operations and is about to open a new plant in conjunction with Campbell Wyant & Cannon Foundry Co. for the manufacture of "Centrifuse" brake drums which embody a fused cast iron lining within a steel ring. These brake drums are used as standard equipment by most of the company's customers. Because of the increased volume of business the working capital of the company is fully utilized and a note payable of $600,000 made its appearance in the March 31, 1937, statement. At present the company has only the one class of stock outstanding and no funded indebtedness. If business should continue at present levels, the company may well be in the market for funds. We call your attention to the well-established trade position of the company and its advantageous clientele. Looking for-

The Technical Points to Consider In Buying and Selling Securities



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ward, we anticipate a less rapid growth in the production of automobiles, increasing prices for vehicles, and continued "close" buying by the manufacturers. Earnings in the current year are expected to provide a favorable comparison with those of last year. Recognizing the attractive return provided by the present dividend rate of $1.60, we suggest that it would be in order for you to retain your holdings in the expectation of moderate market improvement over a reasonable period.

Simmons Co.

I am told that Simmons Co. may earn as much as $5 this year compared with $3.53 in 1936. On this possibility, am I justified in continuing to hold 100 shares bought at 56½?—L. A. G., Pasadena, Calif.

In the six months ended June 30, 1937, Simmons Co. continued to report expanding earnings with $1.85 a share earned on the 1,147,286 shares outstanding. The share-equivalent for the corresponding period in 1936 was $1.25 a share. Refunding of obligations bearing higher service charges was accomplished by the sale of $10,000,000 of 4% debentures in May of this year. These debentures are convertible into common stock at $60 per share up to and including March 31, 1938, and at higher prices thereafter. The working capital position of the company was also improved as a result of the recent financing, thereby enabling a liberal dividend policy. At the annual meeting, the president of the company called attention to the fact that approximately $825,000 of the $4,003,306 in net income reported for 1936 was derived from textile operations, while the remainder was contributed by the bedding division. Of the textile production, Simmons Co. uses about 23% for its own purposes. The textile products include table cloths, napkins, upholstery goods, slip-cover fabrics, jacquard tickings, outing-flannel and other materials. The bedding line includes metal bed-room furniture, studio couches, sofa-beds and the company's famous line of mattresses and springs. It is understood that prices on the lines have been marked up in order to cover raw material costs, which in the bedding industry are said to be about 8% above a year ago. A continuation of the growth in sales volume will depend on sustained consumer purchasing power and active home construction. It is well known that installment sales are an important factor in the home furnishings field. Because of the favorable trade position of the company and the demand for products such as it provides, further extension of earnings is not an unreasonable expectation. In our opinion, there are interesting possibilities in retention of holdings over the intermediate future.

Home Insurance Co. of N. Y.

Because there is very little published regarding Home Insurance Co., and because I am a stockholder in this company, anything you might care to tell me about the outlook will be very much appreciated.—L. E. S., Evanston, Ill.

Although insurance is a vital part of industry, and volume normally rises during periods of prosperity, insurance stocks as a group have not participated during the past year in the rise marketwise which featured the stock list in general. It seems rather unlikely that, as a group, insurance company stocks will be distinguished above the list in general for market strength in the near future, but at existing price levels, in relation to liquidating values, current quotations for many of the leading issues, including Home Insurance, indicate that over the longer term, rather substantial enhancement in values may reasonably be expected. At the end of the year 1936 Home Insurance Co. of New York reported a liquidating value per share, including allowance for its subsidiaries, at about $37 against approximately $30 a share at the close of the preceding year. About 80% of its invested assets were in common and preferred stocks, the balance in bonds. It will be seen that, given further improvement in business conditions which would normally increase premiums earned, and at the same time tend to enhance the value of invested capital, fire company stocks as a group, and Home, which is outstanding in that group, should be able to substantially increase the value of its stockholders' assets. Home Insurance Co., organized in 1853, has an enviable reputation among underwriting agents and among policy holders. The good-will thus engendered has in the past proved of considerable value, expanding premium volume during periods of prosperity and tending to stabilize that volume throughout periods of lowered business activity. The company has an excellent record over a long period of years in the past for earnings and for generous dividend disbursements to stockholders. Conditions seem likely to permit such operations in the future as will continue the excellent showing recorded during the past.

Phillips Heads for Higher Earnings

(*Continued from page* 531)

product" of the oil business. In 1936, Phillips produced about 392,000,000 gallons of gasoline at its refineries, utilizing approximately two-thirds of its net crude oil production for the refinery charge. The natural gasoline production of 288,000,000 gallons was more than 70 per cent of the refinery gasoline production. Close to half of the "natural" was sold in the form of the company's own trade-marked grades of blended motor fuel. In addition, it had over 230 billion cubic feet of natural gas for sale.

Phillips Petroleum thus appears to be in a particularly favorable position at present to benefit from the steadily increasing demand for motor fuel and other petroleum products, from the rising market for crude oil which it produces in excess of its own needs and from the expansion in general industrial activity which means larger demands for natural gas and carbon black. From 1935 to 1936, the gain in earnings was about 33 per cent and during the first half of 1937, this rate was sharply accelerated to a gain of 72 per cent over the corresponding period of 1936.

Seasonally the company usually does better in the second half of the year, since a more active demand usually develops for natural gasoline toward the end of the year for blending purposes. At any rate, the company appears well assured of net profits of around $25,000,000 for the full year, or about $5.60 a share on some 4,445,000 shares of no par value capital stock outstanding,

and quite possibly the final showing might run as high as $6 a share.

Outstanding capitalization was enlarged late last year by offering 296,000 shares of capital stock, held in the treasury, to shareholders at a price which realized about $8,000,000 for the company. Refinancing and retirements reduced funded debt to about $14,000,000 at the end of the past year and the saving in interest charges involved in these transactions amounted to about $1,123,000. In view of the large appropriations normally made from earnings for development costs, depreciation and depletion (approximately $16,000,000 in 1936) and ample cash resources included in the $23,000,000 net working capital reported at the beginning of the year, the company is well situated to finance necessary capital expenditures. Plant expenditures in recent years have been made to keep equipment in first class condition and expand petroleum and natural gas reserves. Approximately $30,000,000 will be appropriated for such purposes, it is understood, during 1937.

Phillips Petroleum's activities during the past ten years have been characterized by rapid growth, resulting from successful development of its crude oil and natural gas reserves, rather than by the stability that is usually identified with strictly investment vehicles. With the shares selling at 63—only a little more than eleven times currently indicated earning power—it could hardly be said that the market has as yet adequately appraised the better-than-average earnings growth in recent years nor the favorable future outlook immediately ahead of the company at present. The stock consequently appears attractive for those interested in a liberal income plus appreciation possibilities from a commitment in the oil industry that is well protected by tangible reserves and growing earning power.

Goodyear Tire-U. S. Rubber

(Continued from page 547)

or slightly lower than the 1929 ratio. Inventory turnover has been more rapid for U. S. Rubber, on the average for the past ten years, and also shows a distinctly more favorable trend in recent years than displayed by Goodyear.

The major portion of the current assets of both companies are represented by inventories and receivables. On the average for the ten year period, Goodyear had only 68.8 per cent of its total current assets in inventories and receivables, although this is due partly to the substantially larger cash resources accumulated prior to the depression. During the recovery, Goodyear greatly increased the proportion of its current assets in non-cash items, whereas U. S. Rubber held about the same proportion of cash to total current assets in 1936, as in 1933.

One of the background factors that probably has some bearing on the changes in inventory ratios as discussed above is the relatively broader diversification of products produced by U. S. Rubber than is the case with Goodyear. Tires and tubes account for only a little more than half of U. S. Rubber's aggregate dollar sales. Goodyear is understood to realize about three-quarters of its total sales volume from tires, tubes and accessories. Since its sales volume thus is more closely related to demand and prices of tires and related accessories, the management is in a better position to keep its production more closely tuned to demand.

However, the concentration of Goodyear operations in tires had a restrictive influence at times. The dealer distribution system which represents the most important outlet for tires, was in a highly chaotic state during the depression as the result of severe manufacturer competition for larger portions of the available market. Erratic price fluctuations of raw materials, coupled with open and under-cover price cutting of the manufacturers thus resulted in extremely difficult operating problems. U. S. Rubber appears to have developed more effective inventory and credit control than its leading competitor during the past few years and was probably aided in this respect by the broader demand for industrial and household rubber products incidental to the general business recovery.

On the whole the ratio comparisons seem to favor U. S. Rubber in the sense that almost every element of comparison indicates fruitful results, on the present recovery, from the extended revamping of the company's operations during the depression. Goodyear, on the other

New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1937 Price Range High	1937 Price Range Low	Recent Price
Alum. Co. of Amer.	177½	120	152
Amer. Cyanamid B (.60)	35⅞	26⅝	34⅝
Amer. Gas & Elec. (1.40)	48¾	28⅛	34
Amer. Lt. & Tr. (*1.20)	26⅛	17⅛	19¼
Amer. Superpower	3	1⅛	1⅞
Assoc. Gas & Elec. "A"	5⅛	2⅛	2¾
Cities Service	5⅜	2⅝	3⅛
Cities Service Pfd	60	39	43½
Colum. Oil & Gas	10⅞	5¾	8
Consol. Copper	11⅝	7¾	11¼
Consol. Gas Balt. (3.60)	89⅛	64	75½
Creole Petroleum (‡.50)	38⅝	28½	37⅜
Eagle Picher Lead (‡.30)	27⅞	17¼	22⅛
Elec. Bond & Share	28⅛	13½	19¾
Elec. Bond & Share Pfd. (6)	87½	66½	72¾
Ex-Cell-O A. & T. (‡.40)	27⅝	18¾	20¾
Ford Mot. of Can. "A" (1)	29¾	21½	25
General Tire	38½	18⅜	27¾
Glen Alden Coal (‡.12½)	15	9	9⅝
Gulf Oil of Pa. (‡.50)	63½	50	57¾
Hudson Bay M. & S. (‡.75)	42	25¼	31½
Humble Oil (1.50)	87	72	83¼
Imperial Oil (*.50)	24¼	20	20⅞
Iron Fireman (1.20)	27¼	19½	24⅞
Jones & Laughlin	126¼	90⅝	111
Lake Shore Mines (*4)	59½	46½	50⅛
Lockheed Air	16¼	9¾	13⅞
Molybdenum	11⅜	8½	9⅛
National Bellas Hess	3½	1⅝	2
National Sugar Ref. (2)	28	23¾	23¾
New Jersey Zinc (*2)	94⅞	72	81½
Newmont Mining (‡1.50)	135¾	92	108
Niagara Hudson Power	16⅞	9¾	14⅜
Niles-Bement-Pond (‡1)	56¼	40	54¼
No. Am. Rayon "A" (‡1.50)	51¼	35¾	49⅜
Pan-Amer. Airways (1)	75½	59	66
Pantepec Oil	9⅝	5½	7⅝
Pennroad Corp. (†.25)	5⅜	3½	3⅞
Pepperel Mfg. (*6)	151	109	117
Pitts. Pl. Glass (‡4.50)	147½	114½	120
St. Regis Paper	11¾	7⅛	8⅞
Sherwin-Williams (*4)	154¾	118	132½
South Penn Oil (*1.50)	48	42	46
Technicolor	31	18⅝	28⅜
United Gas Corp.	13⅝	7⅞	10⅛
United Lt. & Pw. "A"	11⅜	4⅝	6¾
United Lt. & Pwr. Pf.	75⅞	33¾	49

‡ Paid this year.
* Annual rate—not including extras.
† Paid last year.

hand, exhibits somewhat greater stability throughout the period under review in cost, profit and sales ratios and consequently would be expected to display less spectacular improvement on the recovery phase which now characterizes the rubber industry.

Capital changes during the past decade and the present capital set up of both concerns after they have emerged from an extended period of adverse conditions in their industry are also to be taken into account. This factor would seem to favor more dynamic possibilities for U. S. Rubber common stock during any further extended period of good times in the industry.

There are at least two offsetting considerations to take into account, however, in drawing comparisons of the relative appreciation possibilities of U. S. Rubber stock and Goodyear stock. One is the fact that the U. S. Rubber shares have already partly discounted the renascence, discussed above, by a substantially broader market recovery from price levels prevailing a few years ago. It is not likely that this price differential fully appraises the possibilities of future earnings gains over the longer term that are suggested by our ratio studies. But for the time being, the market appraisal may prove adequate, pending some actual confirmation of the earnings possibilities indicated.

The other consideration is the relatively greater improvement in the tire field during the past year or so than in the broader field of industrial and household rubber products. During depression years, when each of the major tire producers was fighting to hold its normal year sales volume, price cutting and other adverse trade practices virtually eliminated profits from this branch of the rubber manufacturing business. The effect of the more rational sales methods that have characterized the tire industry during the past year or so has been more marked on Goodyear's earnings recovery than for U. S. Rubber. Further advantage for Goodyear in this respect has been indicated in its first half statement recently published. For the nearer term, therefore, there appears to be good grounds for expecting relatively better market performance for Goodyear shares, and this qualification is worth mention along side of our appraisal of the relative appreciation possibilities of these two issues for the longer term.

American Power & Light Co.

(*Continued from page* 543)

$90,712,787 compared with $88,222,149 in 1929. Last year, however, the ratio of operating expenses, depreciation and taxes to gross revenues amounted to nearly 60% as compared with less than 55% in 1929. Fixed charges last year were only $1,000,000 greater than in 1929 while "other income" was substantially less. As a result net income for 1936 amounted to $10,398,806, as compared with $19,271,484 in 1929. After allowing for full annual dividends on the $6 and $5 preferred stock net available for the common last year was equal to 25 cents a share. Reflecting the increased tempo of industrial activity throughout the company's territory, consolidated net income for the 12 months to June 30, last, totalled $11,251,309, equal after preferred dividend requirements to 53 cents a share for the common stock. Inasmuch as this most recent showing compares with 25 cents a share earned for the twelve months ended March 31, last, the effect of the leverage is clearly indicated.

Although the full amount of regular dividends is currently being paid to preferred shareholders, cumulative arrears amount to $16.12½ on the $6 issue and to $13.43¾ on the $5 issue. Until accumulations are liquidated, or some plan of recapitalization is devised, no payments can be expected on the common.

Notwithstanding the vigorous recovery staged by the entire public utility industry, public utility stocks as a group remain under the cloud of political uncertainties. Although the recent trend of events, particularly the demise of the Supreme Court "packing" legislation has been more encouraging, the Public Utility Act of 1935, still hangs in the balance. Once the political aspects of the public utility situation have become clarified, leading companies such as American Power & Light Co. would be in a position to effect substantial savings through refunding operations, thereby providing an important offset to the trend of rising costs.

While frankly speculative, the shares of American Power & Light, selling at 11, appear to be discounting all the unfavorable aspects of the situation and anything in the nature of favorable developments can be expected to enhance their value to a point where quotations would more adequately reflect the company's excellent recovery progress.

Installment Credit—Business Asset or Liability?

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between installment debt and a stock market or real estate boom. Installment debt does not pyramid out of unrestrained cupidity. The lender will make his terms as favorable as is practically possible, in order to increase volume and meet competition—but there is always a virtually automatic restraint on just how favorable he can *afford* to make such terms: namely, the relationship between his volume of accounts receivable and his working capital.

In the final analysis the only one in a position to decide what this relationship should be—and the only one who has a legal right to do anything about it — is the lender, whether merchant or finance company. For that reason general warning from Government officials that installment credit must not be expanded to unsound lengths have scant practical significance, whether justified by current trends or not!

To the final question, as to what part installment credit plays in the business cycle, the answer is that there is no convincing evidence that it plays more than a supplementary and relatively minor role. The economists of the world have never been able to agree as to what precisely causes the broad upswings and downswings in the economic cycle. Factors that get prominent mention include war, over-expansion of capital facilities, too much home building, too little home building, good crops, poor crops, bank credit inflation, bank credit deflation, a wise Federal administration, an unwise Federal administration, etc. It has even been claimed by a few that sun spots have something to do with it—

but we have never heard of any economist or business man of note who contended that installment sales did more than follow along where more powerful economic and financial forces led.

Any credit instrument *can* be abused. For reasons herein cited, there appears to be less chance of installment credit being abused to a dangerous degree than in most other types of credit. Unless we have arrived, after much trial and error, at infallible human wisdom in the U. S. A.—which is somewhat to be doubted—there will probably be another boom and, eventually, another depression. In neither will installment credit be Public Enemy No. 1. If Public Enemy at all, let us say down around No. 11.

Higher Prices and Money Rates

(Continued from page 519)

years of the depression, while commodities went down, yields on Government bonds went up; and when commodities turned up in 1933 yield on Governments began a four-year decline. Today commodity prices are much nearer the 1926 level than is the yield on Governments. According to the theory of relationship between prices and bond yields illustrated by the long term graph accompanying this discussion, the present relationship in this country is abnormal and should eventually be corrected by a rise in interest rates. Maybe so, but the relationship in former days was largely automatic, while today it is largely a matter of governmental credit management. Relative to existing business, commercial and financial demand, the credit supply prior to the World War was both smaller and more inelastic than it is today. Hence revival in demand for credit, reflected in expanding business activity and advancing commodity prices, would quickly lift interest rates.

We began to circumvent automatic credit control with establishment of the Federal Reserve System in 1913; and throughout the world the credit needs arising out of the World War gave a great impetus to the movement to make a given gold base support more credit than before. In addition, our own gold base has itself been increased since January, 1934, in much greater proportion than has been the potential need for credit. Unless the New Deal's theory of monetary management is completely haywire, our guess is that, while interest rates no doubt have put bottom behind, any advance probably will be of relatively moderate proportions for an indefinite time to come.

Northern Pacific

(Continued from page 545)

paid by the Northwestern Improvement Co., Northern Pacific's coal subsidiary. In every year during the period 1930 to 1933 inclusive, non-operating income exceeded railway operating income. Since 1932, however, non-operating income has declined in each year, reflecting chiefly the payment of smaller extras by Northwestern Improvement Co. This trend appears likely to continue, not only because working capital of Northwestern Improvement was substantially depleted by the generous depression-dividends, but under a new arrangement, Northwestern Improvement is billing Northern Pacific for coal at cost. The assumption, therefore, is that Northern Pacific will benefit through lower costs rather than dividends from this subsidiary.

On the other hand, Northern Pacific stands to derive increasingly larger returns from its ownership of 830,179 shares of Chicago, Burlington & Quincy stock. The latter paid $4 a share last year. In a large measure, the same factors responsible for the improved outlook for Northern Pacific may be expected to redound to the benefit of Burlington, suggesting the possibility that current earnings of the latter this year may be around $6 a share. On the basis of this showing a larger dividend would be virtually certain, as Burlington financially is in a position to pay out practically all of its earnings in dividends.

Vitally important as an investment, Northern Pacific's joint control, with Great Northern, of Chicago, Burlington & Quincy is an equally valuable adjunct to the Northern Pacific system. The Burlington gives Northern Pacific a through passenger and freight line from Chicago to the Pacific Coast, as well as traffic connections to various important agricultural and industrial centers throughout the Middle West, and likewise to Denver and, through the Colorado & Southern, to the Gulf of Mexico. Northern Pacific's own lines, beginning at St. Paul stretch nearly 7,000 miles across the rich agricultural areas of Minnesota, North Dakota, Montana, Washington and Oregon, the famous mining districts of Montana and the prolific forests of Washington and Oregon, serving the large cities and towns between the Eastern and Western terminals.

Capital structure of Northern Pacific is fairly well balanced, total funded debt of $312,465,500 comprising 56 per cent of the total capitalization, the balance being accounted for by 2,480,000 shares of capital stock. Although funded debt per mile is somewhat heavy in relation to traffic density, this condition is substantially mitigated by the large annual credit for rental of equipment and joint facilities. This item regularly amounts to nearly 25 per cent of fixed charges. Further, there are no nearby maturities, the amount of equipment trust certificates is only slightly more than $5,000,000, and the average interest rate on all funded debt is only about 4¼ per cent.

With the benefit of further improvement in earnings, Northern Pacific would be in a position to refund the $105,959,600 refunding and improvement 6's 2047 at an important savings in interest. The bonds are, however, callable at 110 and in order to justify the payment of this substantial premium, it would be necessary to arrange any new financing on very favorable terms. The next nearest call date is January 1, 1938, and notice of the call must be given not later than October 1, next.

Prior to 1932, Northern Pacific had paid dividends in every year since 1899 and from 1923 until 1931 the payments were made at the rate of $5 annually.

In the latter year $4 was paid, and earnings were equal to $3.59 a share. In the following year, at the depth of the depression, the deficit after fixed charges was equivalent to 80 cents a share. In 1933 earnings recovered to an amount equal to 12 cents a share, and in 1934, '35

and '36 the shares showed the equivalent of 36 cents, 17 cents, and 73 cents a share respectively. With the most productive, and it might be added, uncertain, months still ahead it is difficult to make an accurate forecast of current earnings. Giving the road the benefit of the doubt, however, and allowing for the possibility of an increased dividend on its Burlington holdings, earnings might conceivably amount to $3 a share, or better.

As to Northern Pacific's chances of regaining its pre-depression earning power, they appear to be at least as good as those of any railroad. In the six-year period prior to 1930, earnings averaged $7.82 a share for the stock and obviously the road still has some distance to travel along the road toward full recovery. So far as the physical and financial aspects of Northern Pacific are concerned the road has ample opportunity to regain its former profitable status. Its territory is rich in natural resources and is one which promises important growth in the years ahead; its property and equipment has been maintained at a high standard; managerial ability has been thoroughly demonstrated and current finances are adequate. Against these features, however, must be balanced the uncertainties arising from the possibility of higher costs, short sighted legislation and too much regulation. Northern Pacific would be in a better position than many roads to absorb any increase in wages which may be granted in the near future but over a longer term, perhaps the most that can safely be predicted is that if railroads are again permitted to earn a return compatible with their economic importance, Northern Pacific can be counted on to give an excellent account of itself.

Where Does Roosevelt Stand Today?

(Continued from page 515)

toward the C.I.O. when it set out to rip apart his American Federation of Labor; he feels that he has been treated like an orphan. Though too diplomatic to show it, Mr. Lewis smarts under the successive rebukes which official spokesmen, including the President, have administered to him and his. He suspects that the politicos are running out on him after accepting his financial backing and political votes at election time.

Both labor leaders belatedly believe that they have been unwise in placing too much trust in political princes. They have not called out their troops on behalf of the wages-and-hours bill because they think they can go grander places through union organization than under government sanction and supervision. Like the farmers, they prefer to rely on their own efforts for advancement of their welfare rather than on the government. It betokens a change of heart from early New Deal days which may have unpredictable and incalculable consequences in the realms of politics and economics.

To suggest that Mr. Roosevelt has lost irretrievable ground with old-line, dominant politicians and president-makers is to state what everybody knows. No Chief Executive, not even Grover Cleveland or Theodore Roosevelt, ever raised such havoc with a dominant party as has Mr. Roosevelt. Inside and outside Congress he has split it in twain through stubborn insistence on revision of the judiciary, through personal condemnation of historic Democrats who disagreed with him, through imputation of sordid motives to all his opponents on Capitol Hill, through endorsement of doctrines that violate the spirit and traditions of the party to which he owes his present place.

It is needless to review the list of personal and political hatreds he has aroused, save to add that the seemingly impregnable Democratic party will never be the same again for many years. Even now, three years before it again asks the people to trust its sanity and solidarity, it amounts to little more than a "popular front." The solid, substantial members of the party expect to dislodge the New Dealers, bag and baggage, in 1940.

Mr. Roosevelt still has a tremendous hold on the so-called lower classes, the one-third so frequently advertised as "ill-housed, ill-fed and ill-clothed." But he has lost considerable strength among the middle classes once so devoted to him. They have not soured on him utterly, but they have become suspicious and restless. These middle millions of people are working and eating, and laying a little by for a not too rainy day, and they suspect that it would be wise for Washington to leave them alone. They are particularly concerned over the threat which the Roosevelt-Lewis tieup seems to offer to the industrial peace and profits in which they are now wallowing. To millions who don't care whether the Supreme Court has nine or ninety members, the prospect of a violent and damaging period of capital-labor warfare has become a nightdream, and they can't understand why the President permits, even sponsors, such a situation.

There is another unpublicized group, and perhaps the most important of all, with which Mr. Roosevelt has lost caste. It consists of the 500 newspaper correspondents at the Capital who "cover" him 365 days in the year, and interview him twice a week. For more than four years he was their hero, and whenever possible, they favored him in their stories, despite their requirement to write objectively.

Mr. Roosevelt was so delightful a human being in comparison with his predecessors that the reporters, being human too, reacted to his "charm school." Indeed, the President has frequently acknowledged his indebtedness to the working press for its kindly and sympathetic treatment of himself and his policies. He should. No Chief Executive in history ever had such a "favorable press," to use the trite phrase, as he did. These 500 part-time statesmen almost worshiped him. Until a few months ago at least 90 per cent of Washington newspaperdom thought he could do no wrong.

Of late, however, they have seen another side of Mr. Roosevelt. He has been irritably domineering and scornful—of them. He has suggested that Washington writers consist of two groups—the dumb and the dishonest, journalistically. It is only natural that they should resent such an attitude, and reflect their resentment in their "copy." Moreover, reporters have families, a stake in the United States, the same emotions and desires and ambitions as other folks; if you prick them, they will bleed. And a solid majority of the Washington corps has become deeply concerned over Mr. Roosevelt's post-election attitude and

policies. They are looking him over through non-romantic eyes for the first time, and the look-see as reflected in their dispatches may be disastrous to the White House.

To discuss the feelings of "economic royalists" and their little brothers—small business—would be futile. They have never liked Mr. Roosevelt, and they don't pretend to. But after his overwhelming victory in November there was a desire to make the best of things—to co-operate with him in making the New Deal work. They accepted in good faith his offer of another "breathing spell." But they think, and rightly, that he misled them. They are bitter, distrustful, unreconciled.

Moreover, the economic sun is shining again. Like the farmers, the workers, the politicians, they want to be permitted to whittle out their own destinies without benefit of dubious blueprints from Washington. Although it isn't generally realized, thousands of big and little business men voted for Mr. Roosevelt last fall because they didn't like the substitute prospect—Alf Landon. But it is doubtful if they would again write a blank check for Mr. Roosevelt or his successor. They don't like the kind of goods that were delivered—after Election Day.

There's the political inventory at the moment. Opinions may differ over its immediate or far-time significance, and any guess might be only a shot in the dark. But the best minds at Washington believe that the Roosevelt influence—in politics — in legislation — in party domination—is waning!

Why Banks Are Selling Bonds

(*Continued from page 525*)

bonds selling at levels considered attractive in the light of earnings or prospects of the obligors, while eight had formed no definite opinions as to trend, preferring to await developments of the future.

The disposal of large amounts of government securities has an explanation so obvious that many persons will not believe it. In the year ending June 30, as has been seen, New York banks disposed of more than $1,200,000,000 of government securities, which was most of the decline reported for all banks. Yet between August 1 and August 16, 1936, when the first increase in reserve requirements took effect, member banks lost $1,200,000,000, or more than half of their then existing excess reserves; of this $625,000,000 came out of the New York banks' excess funds which then stood at $1,226,000,000. On March 1 and April 1, 1937, further increases in reserve requirements took place by order of the Federal Reserve Board. These took about $900,000,000 more of all banks' excess and reduced the excess funds of New York banks to around $200,000,000 from a February figure of nearly $900,000,000. Withdrawals of country money from New York and other influences made the burden heaviest at New York.

It will be noted then, that the increase in reserve requirements, coupled with withdrawals of interior money from New York, took about a billion dollars, or the bulk of the excess reserves of the New York banks. But, during this period, commercial customers came to the New York banks for something over $500,000,000; their total loans, including brokers' borrowings, rose about $800,000,000. Now it is to be noted that the banks in New York did slightly misjudge the amount of cash resources they would need to meet the commercial demand, for, as matters turned out, they didn't need to sell quite so many government securities as they did sell. The explanation lies in a sudden slowing up of commercial demand during the era of strikes which retarded industry and in the failure of out-of-town banks, still well supplied with reserves, to draw upon New York as heavily as had been feared. There has been a good demand for commercial loans since July 1 of this year and further increase in this demand is expected.

Probably there will be no further material change in bank holdings of government issues until September when the kind of Treasury funding issues then offered probably will determine bank policy. If the September issue is short term in character, and the banks are not confronted with a demand by commercial borrowers considerably beyond expecta-

Over-the-Counter

ACTIVE ISSUES

Quotations as of Recent Date

	Bid	Asked
American Book Co. (4)	62	65
American Hardware (1)	34⅝	35½
Climax Molybdenum (1.20)	51¾	53¼
Columbia Baking	7½	9
Crowell Publishing Co. (3)	42	45
Dictaphone Co. (4)	67¼	71
Draper Corp. (*5.40)	79	82
Macfadden Pub. Pfd. (6)	64½	67½
Mercke Co. (1)	38	39½
National Casket (3)	46	50
Ohio Leather (1)	17½	22½
Scovil Mfg. (2)	45½	46½
Singer Mfg. Co. (*16)	302	306
Trico Products (2.50)	40½	42¼
Wilcox & Gibbs (.50)	28	†31
PUBLIC UTILITIES		
Alabama Power Pfd. (7)	73	74½
Carolina Power & Light Pfd. (7)	91	97
Central Maine Power Pfd. (7)	91¼	93¾
Dallas Power & Light Pfd. (7)	111	113
Jersey Central Pwr. & Lt. Pfd. (7)	89½	91
Kansas Gas & Electric Pfd. (7)	109	110½

	Bid	Asked
Kings Co. Ltg. Pfd. (7)	60	63
Long Island Ltg. Pfd. (7) "A"	79	81
Metropolitan States Pwr. Pfd.	38	41
Nebraska Power Pfd. (7)	104¾	106¾
New Orleans Public Serv. Pfd. (6)	61	62½
Nor. States Pwr. Pfd. (7)	81	84
Pacific Power & Light Pfd. (7)	70	72
Tennessee Elec. Power Pfd. (6)	57¼	59
Tennessee Elec. Power Pfd. (7)	64¼	66¼
Texas Power & Light Pfd. (7)	101¾	103¼
Utah Pwr. & Lt. Pfd. (3.50)	63¾	65
Utica Gas & Elec. Pfd. (7)	92¼	94¼
TELEPHONE & TELEGRAPH		
American Dist. Tel., N. J. (5)	112½	114½
Empire & Bay State (4)	62	....
Mountain States Tel. & Tel. (8)	143	145
N. Y. Mutual (1.50)	24½	....
Peninsular Telephone (1.60)	27	28½
Peninsular Pfd. "A" (7)	108½	....
Southern New England Tel. (8)	165	170

* Includes extras.

† Ex. dividend.

tions, probably they will buy it in liberally. If it is long term, another considerable decrease in bank portfolios of government securities may be expected.

To sum up, then, there is nothing in the banking statistics to suggest pressure which might come from the dumping of bank held bonds with the exception of government obligations. Prices of these should be maintained for a long time to come by artificial influences such as Treasury trust funds and governmentally created bank reserves. So long as there is an adequacy of money in the market and surplus bank reserves bond prices should have no severe declines. Even if the best average level has been seen in bond prices, such a situation does not preclude profits from purchasing selected bonds.

For Profit and Income

(*Continued from page* 549)

improvement, the debentures invite consideration for semi-investment funds.

Southern Railway

Stockholders of Southern Railway will be asked to authorize the change in the road's common stock from $100 par to no-par and increase the issue by 1,601,800 shares to 2,900,000 shares. It is the intention of the company to issue the stock, or sell convertible bonds, for the purpose of financing maturities in 1938 and 1939. Bond maturities and R F C indebtedness due during these two years amount to about $29,000,000. The ability of the road to finance itself through the sale of additional stock will depend, of course, upon its ability to further extend the upward course of earnings which has been currently experienced, to say nothing of offsetting the possible effect of a wage increase on earnings available for the junior stock issue. It has been estimated that it would require an increase of nearly 9% in gross to offset a wage increase of 10%. Last year Southern earned $1 a share on its common, and in the first six months of this year indicated net after preferred dividends would have been equal to 20 cents a share for the common, a considerable improvement of the 1936 showing for the same period. The larger cotton crop forecast for this year should contribute materially to traffic in later months and the road should also feel the impulse of increased steel activity in the Birmingham district as well as generally accelerated industrial activity, following the abatement of labor difficulties.

Outlook for Motor Profits

(*Continued from page* 527)

in the 1937 series would be increased from $15 to $35, effective at once. Although these increases were not large, it is generally felt in Detroit that further increases will be made by Ford on the 1938 models. General Motors followed suit, increasing prices in all divisions from 2 to 7% per car. It is a safe prediction that other manufacturers will take similar action, but perhaps not until 1938 models are ready for the market.

While they will no doubt attract attention, it is not as if the whole market will collapse in the face of moderately higher figures. The old adage still holds, of course, that "the higher the price, the smaller the market: the lower the price the larger the market." But this is not to say that when prices generally are rising and the purchasing power of the country increasing that the automobile companies cannot put into effect reasonably higher selling prices and still do a very fair volume of business. It is to be remembered that the statistical position of the automobile market is still a strong one. As this is written not far from a quarter of all the cars and trucks in use are more than eight years old: less than half the number in use are less than five years old. With more than 29,000,000 vehicles registered in the United States, the fact that some 7,000,000 of them are more than eight years old speaks authoritatively for the size of the potential demand.

It may seem curious perhaps, knowing that the automobile industry has had a number of good years, that there should be so many old cars still operating. The fact of the matter it seems is that a large proportion of new cars have merely gone to meet the needs of a growing population, rather than to replace the worn-out cars of a stationary population. In discussions concerning automobile saturation points this is a factor to which adequate attention is seldom paid.

Nevertheless, as statisticians found out to their sorrow during the depression, there is all the difference in the world between a potential demand and an actual demand. The former merely establishes the fact that if the people had the money they would buy the article, whereas the latter comprises the people who want the article and who have, or will shortly have, the money in their pocket. Hence, the actual demand for automobiles will depend largely upon the state of general business. Currently, in some lines a summer slackening has appeared, but there is every reason to look optimistically towards the fall, if only because of the greatly improved crop prospects. It is hard to overstress the importance of good crops at fair prices to the economy of a country: it is a situation that helps railroads, warehouse men, brokers, dealers and everyone along the line.

Summarizing, on the favorable side of automobile—and in large measure automobile accessory—prospects there is the probability of a still larger volume of business and also the probability that over the near term at least labor conditions will be more stable than in the recent past. On the unfavorable side, there is the likelihood that although higher prices are inevitable they probably will not be raised sufficiently high to offset fully increased costs. The keen competition between the different companies in the industry will be an important factor tending to hold the price advance to a minimum. From the profit standpoint, the opposing forces appear to be evenly matched. Hence, while automobile company earnings and dividends may be expected to hold at their present comparatively high levels, one cannot foresee a phase of dynamic expansion. In the present market this will tend to hold back the stocks of these companies for, however high earnings and however liberal dividends, stability is at a discount—stocks today only stage a major advance when there is the probability, or at least hope, that next year's earnings will be much higher than those of 1937.

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